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PROCEEDINGS

OF THE

FEDERAL-PROVINCIAL CONFERENCE 1955

Ottawa, October 3rd, 1955

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FEDERAL-PROVINCIAL CONFERENCE 1955

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FOREWORD

In accordance with the understanding reached at the Preliminary Meeting of April 26th and 27th, 1955, federal and provincial officials met in Ottawa on May 26th, 27th and 30th, 1955, to discuss statistical and other problems related to unemployment assistance. The Prime Minister sent a telegram on June 9th to all provincial Premiers to suggest that a meeting of federal and provincial Ministers be held on June 20th and 21st to explore further the unemployment assistance proposals put forth in general terms by the Federal government at the Preliminary Meeting. Subsequently, all parties concerned agreed to attend meetings on the dates suggested by the Prime Minister.

The meetings were held in camera in the Railway Committee Room of the House of Commons. At the conclusion of the second day's meeting on June 21st, it was announced that the provincial representatives had decided to consider with their governments the modified proposal made to them that the Federal government accept one-half of the cost of the relief for the number of those in need in each province above 0.45 percent of the population which was taken as a measure of those in need because they were unemployable. (See Appendix "A")

On June 22nd, the Prime Minister wrote to all the provincial Premiers forwarding officially to them the basic details of the modified federal-provincial unemployment assistance plan which had been distributed to the provincial representatives on June 21st. (See Appendix "B")

Subsequently, various provincial Ministers replied to the Prime Minister's letter making suggestions as to the form the agreement might take. On August 26th, the Prime Minister submitted to the Premiers for their consideration a draft agreement designed to embody the main features of the plan set out in the memorandum of June 21st containing the basic details. By October 3rd, several Provincial governments had indicated agreement in principle subject to clearing up some details. During the week of the October Conference, meetings of federal and provincial representatives were held to clear up these details with a view to preparing a revised agreement on unemployment assistance.

Meetings of the Federal-Provincial Conference were held on October 3rd, 4th, 5th and 6th in the House of Commons Chamber. The first day's meetings were open to the public while the meetings on October 4th, 5th and 6th were held in camera. A press communique was issued at the conclusion of the Conference on October 6th. (See Appendix "F")

The main subject of discussion was federal-provincial fiscal matters. The Conference studied a number of ideas put forward by both the Federal and some of the Provincial governments for a new approach to the question of federal-provincial fiscal relations. The provinces agreed to make such further observations following the Conference as they might wish to have considered; in the light of such observations it would be decided whether another meeting should be held before the Federal government put forward a definite proposal.

A number of suggestions and problems in the field of public investment were discussed. It was agreed that a meeting would be held later in 1955 to consider what steps should be taken to continue work on the Trans-Canada Highway. It was arranged that individual provinces having suggestion to make for other action in the field of public investment would put them before the Federal Ministers concerned and when these had been assembled and studied consideration would be given to the possibility of future conferences to discuss some of these specific suggestions.

The Conference established a committee of federal and provincial officials to meet from time to time to exchange information and examine technical problems in the field of federal-provincial fiscal and economic relations.

The Conference also established a committee of federal and provincial Ministers to consider in more detail the subject of Health Insurance to which preliminary consideration had been given by the Conference itself.

During the week of the Conference, discussions were held between federal and provincial representatives on problems related to the marketing of agricultural products.

FEDERAL-PROVINCIAL CONFERENCE 1955

House of Commons Chamber Ottawa

Monday, October 3, 1955

MORNING SESSION

The Conference convened at 10:45 a.m., Rt. Hon. L. S. St-Laurent, Prime Minister of Canada, in the chair.

RIGHT HON. L. S. ST-LAURENT (Prime Minister of Canada): Gentlemen, now that our friends, the photographers, have made a permanent record of what we look like, I want to express to you a most cordial welcome to this House of Commons chamber on this important occasion. I wish to extend the cordial greetings of my colleagues and myself to all the leaders and ministers of the ten provincial governments and the advisers and assistants who have come here with them to share with us the duty of developing our federal system so that it will work most effectively in the changing conditions that confront it.

The Speakers of the Senate and the House of Commons have kindly put at our disposal the use of this chamber and the other rooms and facilities of this building and I feel sure that you will all wish me to express our appre-

ciation to them for this valuable assistance.

Je désire souhaiter la plus cordiale bienvenue à tous les représentants des gouvernements provinciaux. A notre époque plus particulièrement, il est impossible dans un État fédéral de répartir les juridictions et les responsabilités de façon à permettre aux différents gouvernements de s'ignorer les uns les autres. Des relations intergouvernementales sont inévitables et c'est pourquoi des réunions comme celle-ci sont désirables. Elles ne seront utiles toutefois qu'à la condition que les représentants de tous les gouvernements y participent avec un esprit de franche collaboration et de conciliation. Sans cela, notre système fédéral perdrait son élément d'équilibre qui lui est pourtant si nécessaire. Je suis persuadé que c'est un tel état d'esprit qui anime tous ceux qui sont ici présents et que c'est dans un atmosphère d'harmonie et de mutuelle compréhension que nous aborderons les problèmes que soulève l'évolution rapide de notre pays et qui se posent à nos gouvernements respectifs.*

I am assuming that you will wish to follow the same general procedure that we followed in our preliminary meeting in April, that is of having first an open session for our initial statements and then going into committee in closed session, from which point on we shall determine our course of action in the light of the discussion itself. Possibly we may find it desirable to have two or three committees sitting at once as time goes on, so we have made provision

for committee rooms accordingly.

Thanks to our meeting in April, the scope and agenda of this conference are largely determined. That meeting, and the subsequent one on unemployment assistance to which it led, have already demonstrated an encouraging attitude of cooperation on all sides in approaching the problems that are of concern to us this week.

^{*}Appendix C.

General Background of Conference

The general background of this conference is highly favourable. The fine weather this morning would seem to indicate that we are sailing under clear skies. We have plenty of time for study and discussion before reaching decisions that do not have to be implemented before 1957. The international outlook is more peaceful than for some years—thanks in part to the strength our alliance has developed. Our nation is enjoying a period of rapid development and prosperity that is not universal—farm incomes are not what we would like them to be—but it is as widespread and soundly based as we could reasonably expect it to be.

It seems to me that our job is to plan now for normal times, good times, not for an emergency or crisis. Our plans and preparations should be flexible and versatile, so that we can deal with problems and difficulties if they arise, but I do not think this need dominate our thinking at this time. Our main task is to plan for growth, growth in our population, our economy, our social and public capital, even in our standards of living.

A royal commission is now sitting to study this question of the probable scale and direction of our growth over the next two or three decades, so that all of us will have the benefits of a careful and thorough review of what can be foreseen on this subject. We hope that all governments as well as business and individuals will find it useful to have the information and conclusions resulting from this work.

Quite considerable sums will have to be invested in the growth of Canada, in the next few years. The proper financing of this growth will require the maintenance and development of a sound and effective revenue system for all levels of government, and the retention of the confidence of those whose savings we will need to borrow from time to time in order to carry on the necessary development.

We all are conscious here of the many other demands upon us and our financial resources. At Ottawa we still have the burdens of defence very much in mind, for the situation has not changed greatly in substance from what I described to you in April last, despite the more pleasant manners apparent in the discussion of international affairs. Our alliance has begun to harvest the fruit of having a ready, effective deterrent strength, but I am afraid we cannot do without that costly safeguard.

Second only to national security are the demands of social security, which the public expects of both Canada and the provinces in great measure. For example, since our last conference in 1950, we have assumed in the old age security pensions a continuing financial burden substantially larger than our total payments under the tax rental agreements. We cannot disregard such commitments in deciding what can be done in other fields such as we will be discussing at this conference.

We realize, too, that the Canadian people demand more of their provincial governments and of their municipalities. It is these competing demands for expenditures which lie at the centre of the problems we must consider.

For convenience I would propose to deal briefly with the other items on the agenda, about which I wish to speak, before considering at more length the primary question of fiscal arrangements.

[Mr. St-Laurent.]

Assistance to the Unemployed

First I should note that on the question of assistance to the unemployed we have already had a useful conference in June at which we settled upon the main lines of a programme for sharing expenditures in providing aid to unemployed but employable persons who are in need. As a result we hope that no one in need will have to go without a minimum of help, and the municipalities will be relieved in large measure of an uncertain and unwelcome responsibility. There remain a number of details to be settled but I would hope that most of them might be dealt with by the ministers and officials directly concerned, either in a committee meeting this week, or by subsequent discussion or correspondence, if time does not permit attending to the matter this week.

Already three provincial governments have accepted draft agreements and several others have indicated agreement in principle subject to clearing up some details.

In sending out the draft agreement there was no intention to depart from the general tenor of our discussions at the general meeting. That was a skeleton draft which we expected would require some modification by many if not every one of the ten provinces so that the general result would be practically the same for the inclusion or exclusion of those who would be affected by the formal agreement.

There was one suggestion which was perhaps a bit ambiguous, that is that when the agreements were accepted they would operate from the first day of the quarter. That suggestion may have been put in a form which indicated that we expected the agreements to be operative from October 1 and that if agreement was not reached before October 1 they could not be made retroactive to any date earlier than October 1. It was clearly understood at the general meeting that each provincial government would have the right to fix a date not earlier than July 1, 1955, from which the agreement reached would operate, but the intent was merely to facilitate bookkeeping and have it operate from the first day of any quarter—not to put in a deadline—but when it would have to be entered into in order to operate, if a province wished it, from the 1st of July, 1955.

Of course we can have no quarrel with the decision of those provincial governments which may not wish to enter into agreements this year, but we would of course like to see this plan extended to be fully national in scope. We on the federal side will be glad to keep open our offer to all provinces and those not entering now will be free to enter into agreements on the same lines as the others whenever they feel it is in the best interest of all those for whom they have responsibility.

Health Insurance

We will also have occasion, during our meetings this week, to discuss the important question of health insurance. This is a matter, of course, which under our constitution falls squarely within provincial jurisdiction. The Federal government does not wish to see this position altered; nor would it wish to be a party to a plan for health insurance which would require a constitutional change or federal interference in matters which are essentially of provincial concern.

The Federal government recognizes, however, that there may be circumstances in which it would be justified in offering to assist provincial governments in implementing health insurance plans designed and administered by the

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provinces. For a number of years, through the national health grants programme, we have provided assistance in the development of a full network of basic health facilities and services fitted to the needs of the Canadian people. We recognize that the building up of these facilities through the national health programme constitutes, in the words of my predecessor, Mr. King, "a fundamental prerequisite of a nation-wide system of health insurance".

There are, of course, differences in the stage of readiness for health insurance in the various provinces. Certain provinces have already introduced some phases of a programme; others have indicated during recent months that they are ready to consider some action now; still others may feel that they are not yet in a position to proceed. That is clearly to be expected in a federal state where the primary jurisdiction in health matters lies with the ten provincial governments. It was with this in mind that I said, with reference to health insurance on another occasion:

Under our federal system, to get health insurance started the people and the governments of the various provinces have to take the initiative in working out plans adapted to local conditions. We are ready to assist in a sensible and practical nation-wide scheme, but that depends on satisfactory agreements with the provincial governments.

In the view of my colleagues and myself there remain now two principal points which, in the course of our present discussions, might usefully be considered:

First: What are the stages by which further action by the provinces in the field of health insurance might be considered as feasible; what agreement can be reached among the provinces themselves as to the order of priority of the various services?

Second: Under what circumstances would the Federal government be justified in offering to assist provincial activities in the health insurance field?

The first of these questions has been the object of considerable study over a long period by the technical officers of our respective governments. We have examined carefully the ten provincial health survey reports, financed by the Federal government. We have likewise studied the finding of the national sickness survey, as well as the experience of health insurance plans in other countries. More recently, since our April meeting, we have had the benefit of detailed technical discussions with the officials of the provinces.

It has been suggested that, following the build-up of provincial and local hospital and other facilities through the national health programme, the next step to be taken might well be the provision of universal radiological and laboratory services. This would assure the provision of expert diagnostic services in cases where the attending physician feels that it would be desirable to obtain the support of laboratory or radiological tests before arriving at conclusive findings and prescribing treatment.

Following upon the introduction of these diagnostic services, the next stage of development, if one may judge from the action already taken by a number of provinces and the interest expressed by others, would appear to be that of hospital insurance. Only after the establishment of some form of hospital insurance would it appear to be feasible to consider what further steps should be taken.

[Mr. St-Laurent.]

I have said enough, I think, to indicate the order of priority which might be considered practicable if a decision were reached, either at this conference or at some later date, that we should embark on a jointly-financed, but provincially operated and administered health insurance program.

I turn next to the second of the questions which I posed for consideration a little earlier. In the view of the Federal government the condition prerequisite to federal support of provincial programme in respect of health insurance is that it can reasonably be shown that the national rather than merely or local sectional interest is thereby being served. I have already stated, on another occasion, that in my view, so long as only one, two or three provinces, representing a distinct minority of the Canadian population, indicate their intention to proceed with health insurance, there can be little if any justification for the national government imposing taxes on all the Canadian people to share the cost of health insurance in those provinces. But if there were a substantial majority of provincial governments, representing a substantial majority of the Canadian people who were prepared to embark upon provincially administered health insurance schemes involving no constitutional change or interference in provincial affairs, but simply technical support and financial assistance from the federal authority, then the Federal government would be justified in participating in an increase in the capital assets of the Canadian people.

Continuing Committee of Officials

In April, the Premier of Ontario suggested that we should establish a continuing committee of officials to meet from time to time to discuss financial and general economic matters of interest to the Provincial and Federal governments. This suggestion has been further explained and explored during the summer. The Federal government is prepared to agree to establish this committee to meet from time to time for an exchange of information and technical analysis between our officials on a confidential basis if that is the desire of the provincial governments. If we all agree in setting up this committee we think it should be understood that the officials participating should simply report back to their own governments and not attempt to make joint recommendations, unless they were especially requested to do so.

Public Investment and Resource Development

We have given considerable study in Ottawa to the subject of public investment and natural resources development which is the second item on our agenda. This is a field of activity in which our policies have developed substantially since the end of the war, mainly along the lines forecast in the proposals to the 1945 conference. Our policies have been adopted, however, in meeting particular needs and conditions as they have developed from year to year, and that now appears likely to be the manner in which they will develop over the next few years.

In its own fields of responsibility the Federal government has followed a vigorous policy of public investment since the end of the war, tempered, of course, by the overriding needs of defence in the past five years and also by the need for restraint because of the dangers of inflation and our desire to postpone what could reasonably be postponed so that it would not compete with a high level of private investment. We have carried through a large programme in developing airports and airways, which is being carried forward actively now. It is my

view that it will be very substantially increased because of the developments taking place in our own country and all over the world. We have done a great deal in the improvement of harbours and rivers, undertaken the seaway, constructed the great Canso causeway, built major irrigation works in the west, and constructed a large number of office buildings and laboratories required to serve the public in a wide variety of ways. We have taken a new initiative in developing the northern areas of Canada which seem to us to offer great promise in the long term future and where the traditions of the frontier are at work under modern dress and world conditions. We have greatly expanded in fact multiplied many times over—the scale and scope of federal activities in the field of research, so that it is now a dynamic force assisting in the development of Canadian resources and industry. Our work in the surveys of our country and its resources has been pressed forward as rapidly as the supply of skilled men permitted, so that, with the aid of modern equipment, we now have far greater information than ever before about nearly all parts of Canada. In our tax policies we have given special incentives to the development of resources by private enterprise.

We have also entered into many co-operative arrangements with provinces, and with business, in particular fields of activity where we were convinced that joint action was required and the national interest would be well served. I have in mind housing in particular, where the Federal government has undertaken a tremendous programme, or series of programmes, since the end of the war in a field which previously had been left to provincial responsibility, local authorities and private initiative. A convincing case was made that the need for housing was so great over such a wide area that it constituted a national problem beyond the unaided resources of business, municipalities and even provinces. As a result we have under the National Housing Act and other legislation aided in the construction of over 300,000 houses, spread over hundreds of communities in Canada. And that is only those in which we have aided, because I think it is now generally recognized that there have been about a million new housing units provided in the last decade. Over forty percent of all the houses now being built in Canada are receiving federal support. We have entered into partnership with provinces under which we pay seventy-five percent of the cost of projects undertaken with them in providing serviced land for housing in their municipalities—a major problem nowadays that used to be a municipal burden, and for which the financing had to be arranged by borrowing by the municipalities. I am not suggesting that any large grants are being made, but the borrowing is done through the Central Mortgage and Housing Corporation, and is in the price of the built lot, and that it used to be paid for in some form or other than through municipal rates. We are bearing seventyfive percent of the cost of partnerships with provinces, or their agencies in constructing low cost housing for rent. And that is something which I think is very desirable to have administered locally. There cannot be low housing rent for everybody and I think it is in the locality where the best judgment can be made as to who are those to whom the low rent housing facilities should be allocated.

In many other fields we have also entered into joint investment programmes. The Trans-Canada Highway is an important case—undertaken in response to a widespread public demand. I must confess that we have been concerned over the lack of progress made by the provinces on this project, though we understand

[Mr. St-Laurent.]

the reasons behind it. Mr. Winters will have more to say about this later in this conference or at a special meeting of highway ministers he would like to arrange later in the autumn. We have joined with the provinces in giving grants for the construction of hospitals, which has proceeded at such a rate that our deficiency in accommodation for general hospitals has been greatly reduced if not wholly overcome. We have cooperated on a large scale in irrigation projects in the Western Provinces and in reclaiming from the sea the marshlands of the Maritime Provinces. We have shared the costs of taking inventory of our forest resources in most of the provinces, who wish to have us co-operate with them, and that, of course, we have done in co-operation, or it has been done by the prvinces. This is an essential step toward the proper management of this valuable resource, valuable not only for the product of the growth of the forest, but valuable in maintaining a proper balance in the distribution of the water resources of the country.

From time to time we have shared the cost of major emergency programs such as dyking on the Fraser river and at Winnipeg after the great flood disasters, and we have offered substantial aid under the Canada Water Conservation Assistance Act toward works designed for the conservation and control of our water resources. In all these cases, and others, we have entered only after being convinced that circumstances were such as to justify extraordinary action and at the request and with the full consent of the province concerned.

This is the background to what I said in April about grants for the "planning" and "timing" of provincial and municipal public works. We have come to the conclusion that the offer and payment of such grants for all types of projects would be neither practical nor wise; it would require hundreds of decisions on what are local or provincial issues with which we should have nothing to do. We feel that we should share in the cost of projects only in exceptional circumstances as part of a policy that we can justify on national grounds. In general we do not see any need to share in the normal costs of growth of provinces and municipalities. The financing of this growth presents problems but they do not seem to us to require a federal solution.

Economic conditions since the end of the war have not required extraordinary public investment programme to support the general level of employment. They do not do so now; indeed we have a building boom in progress on such a scale that there are hardly enough supplies or skilled men available for it. And it does seem as if some of those who were in regular year-long employment have moved out of that employment into the construction trades because of greater immediate rewards. We are impressed with the need for more employment in the winter months in most years; we have taken measures to improve this situation and we have asked others to do so as well. We are studying the effects of these, and ways in which they might be supplemented. Should economic conditions in future require some extraordinary effort in public investment, as a support to the general level of employment the Federal government will endeavour to be ready with some useful suggestions for a co-operative approach to such a programme. Let no one think however, that this is an easy matter to accomplish; our study of it so far shows it to be full of difficulties.

The Fiscal Problem.

I turn now to the question of fiscal arrangements—the heart of our problem. It arises, fundamentally, from the fact that the public now expects both levels of government, to do things which require high taxes. The people expect and

demand—and are willing in the last analysis to pay for—some basic minimum of public services in all parts of Canada. With this added to the cost of war, both levels of government have been forced into more and more intensive occupation of the various fields of taxation. We have both had to use the field of direct taxation, which the Fathers of Confederation thought would be so unpopular that we could both be trusted in it with little risk of friction. We have also occupied joinly what used to be considered parts of the field of indirect taxes, which provinces have learned to cultivate with some legal and administrative ingenuity. We have not protested this, and indeed indicated in 1950 our willingness to concur in a constitutional amendment that would regularize—if it needs regularization—and facilitate provincial sales taxes that do not offend against the sensible purpose which the Fathers of Confederation had in mind.

Our present problem is twofold—to achieve some method of sharing of the revenue available from the direct tax field, and some reasonable degree of equity and stability in the revenue of the various provinces. The latter involves some recognition of the fiscal need of those provinces whose tax potential is less than others—some payment of subsidies in one form or another. There is nothing repugnant to the spirit or the letter of our constitution in this; the original British North America Act provided what was then substantial subsidies and recognized fiscal need. Throughout our history the forces of economics and geography have been tempered by some measure of national consciousness and solidarity. But this process requires judgment and discretion and due regard to the interest of the nation as a whole.

A serious and scholarly effort was made to resolve these central problems in a fundamental manner before the war. A distinguished Royal Commission, headed by Mr. Rowell and afterwards Mr. Sirois, recommended certain changes in our constitution, which were found impossible to accept. We now seek some solution that does not involve basic changes in our relations between governments.

Under the pressure of war, we adopted the Wartime Tax Agreements as a temporary device to permit the fair and effective financing of the war. They were accepted by all provinces on that basis. They worked satisfactorily and achieved their purpose.

At the end of the war, we proposed a renewal of these tax rental agreements for another period of three years. This was intended at the time to facilitate the transition from war to peace and enable the country to re-establish prosperity without encountering the real difficulties that plagued the 1930's. This plan put forward proved not to be acceptable. Subsequently, seven of the provinces entered into five year agreements on a modified basis at considerably higher cost to the federal treasury and Newfoundland entered on a similar agreement when it joined the other Canadian provinces. These 1947 agreements met reasonably well the situations of the provinces with the lesser tax potentials by including substantial elements of what were in effect fiscal need subsidies. They did not, apparently, meet so well the problems of the two largest provinces, which did not sign agreements. British Columbia was brought into the agreements only at the cost of a substantial modification in the rental payments formula that gave it high rates of payment in future years based upon the exceptional degree to which it had utilized the direct tax fields before the war.

[Mr. St-Laurent.]

When the time came to consider action to renew or revise these agreements in 1950, we met again in the shadow of war and the defence emergency resulting from it. No fundamental revision of the basis of the agreements was attempted. After negotiations carried on throughout 1951 and 1952, the agreements were renewed with the eight provinces with only minor modifications in principle, although assuring them of a full share in the growth in revenue due to increasing population, production and prices. A new optional formula for rental was found, reflecting more fully the current revenue available in the tax fields rented, which enabled Ontario to enter into an agreement.

Finally, this year, Parliament has changed the provisions in our Income Tax Act to leave more room for a province which did not have an agreement with us to secure directly more income tax revenue from those within its jurisdiction. At the same time an opportunity was offered all provinces to terminate their agreements with us if they preferred to utilize this method of securing revenue. This was intended as we said at the time simply as a modus vivendipending the examination of the matter which we are now beginning.

Such appears to be the bare outline of the history of these agreements. What have been their purposes, and how far have these been achieved? The preamble of most of the agreements state they are designed:

- (a) to establish a more equitable system of taxation throughout Canada by reducing duplication of direct taxation and of machinery for the collection of direct taxes,
- (b) to give a greater measure of stability to the revenues of the province in order to enable it more adequately to carry out its responsibilities, and
- (c) to enable Canada, with the co-operation of provincial governments. to carry out fiscal and other national policies intended to maintain high levels of employment and production;

These are important purposes which have been emphasized since 1945. In addition, however, there is another main purpose which was made quite clear in our original proposals and discussions in 1945, and which I re-stated in writing to the Premiers of the provinces in January last about these agreements and our desire to have a conference this year. I said then,

. . . the present government had no intention of abandoning the objective of the tax rental agreements which is to make it financially possible for all the provinces, whatever their tax base, to perform their constitutional functions themselves and to provide a reasonable Canadian level of provincial services without an abnormal burden of taxation. That is the foundation of the policy of the Federal government.

This is the principle of paying an element of fiscal need subsidies to provinces with lesser tax potential than others.

The agreements have secured most of these objectives with a fair measure of success. We have achieved a good deal in the elimination of duplication in the field of direct taxes, and in simplifying our tax laws. I am told that by comparison with most federal countries we have achieved what they regard as a relatively simple and orderly system of direct taxation of which we can justly be proud. There is no doubt that the agreements have provided more stability to provincial budgets than they would otherwise have had,

together with an assurance of expansion in revenues proportionate to population and the gross national product. As regards fiscal policies, while the need for the use of these taxes to stabilize employment levels has been less than was thought might be needed, we have been able to use them to help temper inflation and to meet the urgent need for funds to meet the emergencies of Korea and the NATO defence programme. Finally, the payments under the agreements have included fairly large elements of subsidy to provinces whose tax capacity was not high, and these have enabled such provinces to establish and maintain standards of public services more nearly approaching those of the wealthier provinces than would otherwise have been possible.

On the other hand the agreements have not found enthusiastic support everywhere, even among those who have signed them. One provincial government feels they are inconsistent in principle with the spirit of our constitution and is therefore unwilling to share in whatever benefits they may provide. The Premier of another province stated when signing the agreements that it was "at best a stopgap" and should be replaced by a more satisfactory distribution of revenue sources.

Others think that there should be a more explicit recognition of fiscal need. Two governments at least feel that they should be able to derive from the forest and mining industries more revenue than they are deriving to carry out their responsibilities.

The Federal government has never contended that these agreements were a final, or a perfect, or a permanent answer to the problems in our fiscal relationships. I could quote, but will not take time to do so, Mr. Ilsley, Mr. Abbott and Mr. Harris all to this effect, as well as my predecessor and myself. We are quite prepared to see these agreements modified, improved, or even superseded by something better—if it can be found. What we want is something that will accomplish as many as possible of the purposes which I have already mentioned. Moreover, there are other objectives and conditions, which any perfect formula should meet as fully as possible. It should ensure responsible government at both levels, make possible far-sighted fiscal policies, permit the richer provinces to benefit from their wealth, give assistance to the other provinces, avoid duplication of tax laws and separate costly systems of tax collection, avoid the need for tax credits, avoid the necessity for allocating profits for tax purposes to different provinces, stabilize provincial revenues, protect provincial independence, safeguard the strength of the federal treasury -a very large number of competing objectives. No doubt others can add to this catalogue. It is enough to illustrate that we need the wisdom of Solomon.

We have examined the suggestions put forward by Mr. Hicks, Mr. Flemming and Mr. Bennett in April, which have been further explained by their officials to ours. Mr. Harris will be prepared to discuss these suggestions at the committee stage. While they contained ideas which should help us to find the solution, they do not appear to provide a complete answer in themselves.

We in Ottawa have been exploring various possible modifications in our tax rental agreements, or alternatives to them and will have some thoughts to exchange with you about them. We are deliberately not making a definite proposal until after we have discussed the subject and have tried to get something which we all think is apt to work in a practical fashion.

The type of plan which we are inclined to favour is one in which the payments to be made to each province would be determined by the amounts

[Mr. St-Laurent.]

which need to be added to the yield of a set of standard taxes in that province to bring the revenue per capita up to some specified level defined in terms of what all provinces or certain provinces might obtain from those sources.

Secondly, each province might be free to decide whether or not it wished to use any of the three direct taxes itself—personal income tax, corporation tax or succession duties—or to rent the exclusive use of all or any of them in that province to the Federal government. In those provinces which would wish to continue with tax rental agreements, we would leave our taxes as they are and pay to the provinces the estimated yield of the standard rates. The total payment to the provinces then would be the yield of the standard rate with whatever further amount was necessary to bring that yield up to what was—either the average of all or some of the provinces or an agreed level, or a selected level, of the tax potential. In a province that wished to use one or more of the direct taxes itself, our rates would be reduced by the amount of the standard rates and the provinces would tax those within its jurisdiction at whatever rate it is possible to select.

Thirdly, such arrangements to be complete might have to include a stabilization guarantee to each province that it would get from such an arrangement (the direct taxes and the equalization grants I have mentioned above) a certain floor that would not be pierced, even if general economic conditions worsened to a degree that would otherwise make the arrangement work to a lower level.

Under this type of plan, of course, there would have to be various arrangements to meet special problems in the tax field, perhaps particularly in that of succession duties, and to effect an orderly transition from the present agreement to the new system. These can be explored in committee.

Whether or not, on balance, it is desirable for some or all of the provinces now having agreements to re-enter the direct tax field is a debatable question. It must be decided by the government of each province. Re-entry would make clear there has been no sacrifice of constitutional rights. It would make clear to all that the government and legislature of the province have the responsibility of determining the scale of provincial revenue and expenditure; there would be less likelihood than under a five-year rental plan of confused belief that somehow the Federal government is limiting the revenues of the province and thereby preventing its development. Finally, re-entry of the provinces in the direct tax field would make it unnecessary for the Federal government to pass through its budget many millions of dollars in tax rental to be paid to provinces which they could themselves collect quite apart from any equalization subsidy elements.

On the other hand there is no doubt that many taxpayers would prefer the improved system of direct taxation that we have achieved under the tax rental agreements. It has many advantages of convenience and simplicity.

Aided by it we have made great improvements in our tax laws and their administration. Duplication in tax administration has been reduced, if not avoided. These advantages are of real value, but they are not benefits for which we must ask federal taxpayers to pay too high a price, nor are they of such overriding importance that we cannot recognize the different value attributed by different provinces to the exercise of their own powers in their own way.

We think that some plan of equalization payments along the general lines I have described can be fitted into a variety of different possible decisions about the re-entry of provinces into the direct tax fields. We think it desirable for

us all to discuss both the payment and tax aspects fully before attempting to come to decisions on either of them. I have outlined the objectives of the Federal government. We wish to achieve them as far as possible. We are quite prepared to seek, and consider, and develop new methods of achieving them, if they can be looked upon as preferable to the methods that have been adopted in the past.

When we get into committee Mr. Harris is prepared to explain and illustrate our ideas further, both in regard to the system of grants and the various alternative methods of dealing with these direct taxes. I want to make clear that we are not endeavouring now to persuade you of the advantages of any particular formula. We are hoping to get ideas from you and discuss one another's suggestions and comments in the confident expectation that out of such discussion and subsequent study we may emerge with a system of arrangements within which we can secure fruitful and harmonious co-operation, and to ensure that there will not be any first-class or any second-class kind of Canadian citizen.

May I now ask Mr. Frost if he would give us his comments from the point of view of the Province of Ontario?

Hon. Leslie M. Frost (Premier of Ontario): Mr. Prime Minister, and gentlemen, last April we determined on a five-point agenda. At this time, I should like to address myself as briefly as possible to two or three of those points, while not at all minimizing the importance of the remaining ones. May I however, say first that last April I thought we had arrived at an amendment in relation to farm marketing, that is, an amendment from a federal standpoint, that was agreeable. But that had been held up. In the course of our conference we would like to discuss that with you. We think that farm marketing legislation is of real importance to us, as I am sure it is to the provinces. In the meantime, however, I believe a general agreement arising out of a conference in Fredericton has been reached.

The agenda agreed upon last April was as follows:

(i) Federal-Provincial fiscal relations;

(ii) Public investment and natural resource development;

(iii) The desirability of establishing a Federal-Provincial Continuing Committee;

(iv) Health and Welfare services;

(v) The timing and scope of such other special conferences as may be desired.

We recognize and support the fundamental principles of Confederation, but beyond this we have not come to this conference with rigid conceptions or fixed demands. As a member of the federal family, we have come to the conference to discuss our problems and to try to resolve them in a manner that will best serve the needs of all our people. We all have problems and difficulties which can be resolved, given a spirit of understanding, which I am sure is present here.

Conditions this year enable us to take a different approach from that in evidence at the conferences of 1941, 1945 and 1950, when the requirements of war and national defence were exceptionally demanding. In 1941 the provinces were obliged—and I use the word "obliged" advisedly—to make practically all of their major tax fields available to the Federal government for the prosecution of the war. Today, as you have said, sir, defence expenditures

[Mr. St. Laurent.]

are a much smaller proportion of the country's activities. The emphasis has changed to one of peacetime production, expansion and development in which the provinces and their municipalities have an exceedingly important part.

In Ontario, as no doubt in other provinces, the sacrifices of war in deferred provincial and municipal projects are being very seriously felt as are the effects still of the depression of the 1930's. We have not been able to proceed normally with programs essential to sound economic and social development. Because of war and our financial position, the provision of schools, universities, hospitals, highways, water and sewage disposal works and many other services has lagged behind our population and industrial growth which is by all odds the highest in our history. In ten years, Ontario has added a million and a quarter people to her population, an increase of nearly one-third. Industrialization has proceeded apace. Since 1945 \$13 billion has been invested in Ontario industry.

The effects of population and industrial growth can be illustrated by reference to education. While our total population has increased in ten years by about one-third, the number of children in the age group up to nine years has increased by 70 per cent. Despite the investment of a quarter of a billion dollars in school facilities, the impact on our primary and secondary schools and universities is enormous—and will continue to be enormous. The problem is a formidable one. The needs of education alone point up the necessity of the province and its municipalities having a realistic part of the national tax dollar, and education is only one facet of our problem. It applies also to those other services I have specifically mentioned. Ontario's industrial growth has created a real problem of providing fresh water supplies and controlling pollution—matters that would not have been so high on our list of priorities ten years ago. When we gathered here ten years ago, I do not suppose that item was mentioned, but now it is an item that is very formidable in some of the provinces, notably ours.

On the other hand, provincial and municipal activities are adding, and will continue to add, greatly to Canada's gross national product. This year the capital and maintenance programme of the Ontario government, its subsidiaries and municipalities is in excess of \$700 million. Our contribution will represent about one-half of the Canadian cost of the St. Lawrence power and seaway development. Electric power, low cost transportation and many other services must be steadily expanded to meet the needs of our increasing population. All these matters lie within the jurisdiction of the province and the municipalities. and all contribute to the production and income of Ontario, which is the source of 50 per cent of the Federal government's corporation income tax and 49.6 per cent of all its direct taxation, including income tax. Services such as these, which help to produce the earnings upon which these federal tax revenues depend, impose very heavy burdens upon us. Some say that Ontario is a prosperous province. It is certainly an earning province, but it can only be so, as long as the provinces and municipalities can provide the services necessary to support economic growth; otherwise that growth cannot take place. Ontario's continuing expansion is of the utmost importance to Canada, and this conference cannot be indifferent to the pressing needs of our province whose growth and development are making it the site of tax earnings which are of vital necessity to all Canada.

Neither can we regard our revenue needs only in the light of current conditions. Our thinking has to encompass these needs in terms of the next half dozen years at the very least. Our experience is that swift changes can take

place in a short time. Since the Federal-Provincial Conference met in December 1950, five years ago, Ontario's population has been augmented by over 700,000. This is a measure of the increase of our problems. Our difficulties are not resolved by tying our requirements to a national average, but rather by relating them to the productivity of the province and the revenues arising therefrom, which are a more accurate measure of the problems we have to meet and solve. The appraisal of our problems should determine our need for revenues.

Looking to the future it is clear that our difficulty is basically one of finance and revenue sources. The major obstacle to Ontario and her municipalities pressing forward with projects which will result in greater production and greater national income is a lack of revenue. It is in this regard that we need the maximum degree of co-operation from the Federal government. In a developing economy, industry must bear its proper share of the tax burden, and it is by a just apportionment of corporation and personal income taxes between the Federal and Provincial governments that this can be most fairly done. At the same time, all revenue sources which can be adjusted to the needs of the provinces and the municipalities are of importance. I believe the provinces and the municipalities in the days ahead will be the right arm of development and expansion, and their fiscal strength will add immeasurably to the fiscal strength of our country and to the revenues of all levels of government. That of course is a change from the conditions we dealt with here in 1941, 1945 and 1950, when we were faced with the pressing necessities of war. Today, the emphasis has changed to one of continuing development, and in our country, the provinces and their municipalities are the right arm of development. I think that is being demonstrated throughout the country.

Ontario's attitude toward the tax rental agreement is a matter of record. We entered into the arrangement in 1952, not because we felt it was altogether fair or realistic but because it was the best one we could make at that time. However, I must state in fairness that for the first time an approach was made to the principle that the province's revenue should be related to its taxable capacity. That the apportionment was fair or realistic in a peacetime economy we never conceded, nor in fact were we asked to concede that. We regarded the agreement as designed to meet a temporary condition and felt that we should constantly be working toward a more satisfactory arrangement.

In the meantime very significant changes have taken place. On January 14 this year, as described in a letter from the Prime Minister of Canada, important changes were introduced by way of amendment to the Income Tax Act. The federal government raised from 5 per cent to 10 per cent the personal income tax deduction in any province which had not signed a tax rental agreement, whether the province levied that rate or not. We welcomed this amendment as evidence of a further step in the direction of recognizing that the provinces do require additional revenue from the direct corporation and personal income tax fields with which to carry on their activities. Moreover, in the interval the federal corporation income tax credit was raised from 5 to 7 per cent while special taxes continued to be treated as an expense.

We believe that additional study should be given to the federal tax credits and deductions allowed in the case of both corporation and personal income tax and that higher and more realistic rates should be adopted. The present tax rates of the provinces are far out of line with their needs. At the present

[Mr. Frost.]

time the personal income tax credit allowed in the Province of Quebec is only one-ninth of the Federal government's revenue from this field, while in the Province of Ontario the rental we are presently receiving for personal income tax is based upon only one-nineteenth of the Federal government's take from this field. In the case of corporation taxes, our rental, which approximates $8\frac{1}{2}$ per cent of taxable income, is equivalent to only one-sixth of the taxes paid by corporations, the remaining five-sixths going to the Federal government.

Frankly we do not think that this situation is realistic. In the light of the problems of the province and the acknowledged contribution the province can make to increased national income we suggest that rates of 15 per cent of federal personal income tax and 15 per cent of corporation income be considered as being more realistic. These rates would be more in line with reality and with the problems devolving upon the province and its municipalities. At the same time they would contribute to our productivity and the tax-earning capacity of our country, because to a very large extent the revenue obtained would be invested in those things which would increase industrial development. We should look at this matter from this standpoint that the provinces by their work and their investment are contributing greatly to the income derived by the whole country. The larger the provincial income, the larger the Federal government's income from its many tax sources. In other words, every dollar which a province spends is reflected in increased revenue for the Federal government because of the productivity and development brought about in the country.

We have not come to this conference with a dogmatic attitude. We welcome the opportunity of discussing our Canadian problems and the solutions to them with the governments of Canada here assembled. We do not question the desirbility of the Federal government paying subsidies to provinces which need them. We are heartily in accord with the payment of such subsidies, but the amount of these subsidies should be determined in the light of sound principles. While giving assistance to the receiving provinces they should not be such as to destroy enterprise and productivity in the province from which the revenue is taken.

We are anxious to contribute to the solution of the problems of other provinces and we know that other provinces will look at our problems in the same light. Fifty per cent of Canada's manufacturing industry is located in Ontario. Industry does not operate or produce income in a vacuum; it must be supported by provincial and municipal services. This conference should not overlook the problems which are brought about by the incidence of industry, the means for dealing with which should properly come from corporation and personal income taxes. Industry provides revenues through these taxes but there are also penalties imposed, including the services which I have mentioned—education, municipal services, welfare, health, highways, traffic and other matters. It is no sufficient merely to consider the amount of corporation and personal income tax arising from a province, but also the penalties and obligations that servicing this industry imposes. It would be more proper to consider the net position which, of course, would involve not only the revenues arising but also the obligations imposed. In my opinion, to take the per capita revenues arising from these two sources in Ontario as a vardstick for paying federal subsidies to the other provinces without considering the cost of earning this money would be completely unrealistic. It is a matter of considering, not only the revenues that arise but also the obligations that are created in earning those revenues.

Because of our concentration of industry and population it costs us as a province a great deal of money to operate. There are times, under the present distribution of tax revenues, that the province is obliged to make a substantial outlay for services which earn a large federal revenue but yield a very small return to the province. Oftimes we are faced with deciding on an expenditure to stimulate expansion and development when in fact it does not pay us to spend that money owing to our small return from corporation and personal income tax. I do not think that this is a satisfactory situation. However, I am confident that here before the representatives of the people and governments of Canada we can resolve that problem in a Canadian way.

Again I say that 1955 is a different year and it presents different problems from those we have faced before. I think that all of these problems should be considered against the background of the functions, responsibilities and tax sources of the provinces and municipalities.

Central Collection of Taxes

We very much favour the simplification of our tax system and are willing and anxious to co-operate with the Federal government and the other Provincial governments to this end. Again, sir, I am speaking only for our own province. In cases where we occupy tax fields in conjunction with the Federal government, we would be glad to have collection by one on behalf of both.

Succession Duties

We have always felt that the Federal government should vacate the succession duty field. Ontario first imposed its Succession Duty Act in 1892. Thus we have occupied that field for over 60 years. It was only in World War II under the compulsion of war that the Federal government entered this traditionally provincial field, a field which in fact, has a very close relationship to our constitutional rights over property and civil matters.

In the event of the Federal government vacating this field, which I am always hopeful of, Ontario would be prepared to make all returns from succession duties available to the Federal government and to offer the fullest facilities for checking our returns to facilitate income tax collection. On the other hand if the Federal government is not prepared to vacate the succession duty field we are prepared to collect succession duties for it so that there will be only one collection. That is an illustration of our desire to co-operate.

Natural Resources Taxes

It is one of the paradoxes of Federal-Provincial fiscal relations that the natural resources of the nation, which are the responsibility of the provinces and involve them in large expenditures and obligations, should yield to them such a small revenue. I could refer to many examples in our own province, such as the development in the Manitouwadge area, the Blind River area and other places. Even in my own riding new minerals which I had never heard of five years before have been discovered and are making necessary the development of a new municipality of five thousand people. These things cost a huge amount of money, and it is with mixed feelings that we look forward to such developments. Not that we do not welcome development but at the same time we are reluctant to see ourselves descend into the position of a "have-not" province by

[Mr. Frost.]

having to provide all the services that that development requires and harvest such a small revenue from it. A province may spend millions of dollars in opening up inaccessible areas for development and yet derive very little in return for its expenditure. The whole arrangement is economically unsound. To remedy this situation we suggest that priority be given to the provinces in the natural resources field by allowing the companies engaged in logging and mining a credit against federal taxation of the full amount of any provincial taxation imposed.

In regard to this item, perhaps someone will turn to Ontario and say, "But you balance your budget and have done so for a dozen or more years." I may say that we have to balance our budget, and for this reason: we are borrowing enormous amounts of money for development and if we let our budget get out of balance the money would not be available for capital expansion. It is therefore imperative that we balance our budget.

Other Sources of Provincial and Municipal Revenue

There are possibly other sources of provincial and municipal revenue and you, sir, mentioned one of them. In view of the pressing revenue requirements of the provinces and municipalities there should be renewed effort to explore and provide additional sources of revenue for them.

Public Investment and Resource Development

We suggest that the conference give full consideration to a joint Federal-Provincial policy for promoting the economic development of resources and for implementing a plan of public investment timing grants as required.

Continuing Committee

With regard to the continuing technical committee, Mr. Chairman, I was happy to hear your remarks this morning. In a submission such as this it is not always possible to cover all the points on the agenda and I would not propose to do so. May I, however, say that I think the desirability of having a Federal-Provincial technical committee, has been proved conclusively. This has been made manifest, not only by our experience in the past but by the extent to which the collaboration of the last few months has contributed to making information available for this conference and to all members of the conference. I sincerely hope that the technical committee will be a permanent part of Federal-Provincial relations.

Health and Hospital Insurance

Next to fiscal relations the second main point to which I should like to refer is the matter of health and hospital insurance. Last April when I asked that this be put on the agenda my good friend, the Premier of Quebec, suggested that I was contemplating a provincial election. I suppose the power of suggestion worked because we did have an election which resolved matters to the satisfaction at least of a large portion of our people. I am happy to be able to come here with that matter out of the way.

At the conference last April I referred to health and hospital insurance as one of the great objectives in the field of human betterment which should be studied with a view to producing a sound, workable plan within the financial

capacity of our people, and with which we could proceed in stages. Since our last meeting our technical committee has gathered together a great deal of data.

Figures submitted by the Deputy Minister of National Health showed that the cost of health insurance services in Canada, based upon the federal proposals of 1945, would amount to approximately:

	Total	Per Capita approx.
Cost of hospital services	\$312,000,000	\$19.60
Diagnostic services		3.00
Medical services	260,000,000	16.30
Total cost of hospital and medical services	\$620,000,000	\$38.90

Our own officials have estimated that in 1957 the cost of health care in Ontario, excluding mental and T.B. care, would amount to \$238 million or \$44 per capita. Hospital costs would approximate half this amount and would probably rise from about \$130 million in 1957 to about \$170 million by 1960. The cost of operating the mental hospitals and tuberculosis sanatoria would approximate another \$35 million to \$40 million in 1957.

Not all of these costs, of course, would represent new expenditure. Ontario is already making substantial outlays for a number of these services, particularly for public general and mental hospitals and sanatoria. Financial burdens incurred in the fields of mental illness, tuberculosis and poliomyelitis, that would be catastrophic in their incidence if they were payable by the patients themselves or their families, are being borne by the province. In addition to our maintenance expenditure of \$45 million, we are providing annually large capital outlays of nearly \$22 million for new hospital construction and improvements. Despite this large provincial health bill, a comprehensive hospital and diagnostic care programme would, in 1957, represent an increase in government health expenditures of over \$120 million. In view of the magnitude of this new expenditure and the complex administrative problems involved, the whole subject requires careful study and consideration.

Health insurance in various forms has been proposed for many years. In fact, it has been in the political arena for at least thirty-five years. The Federal government is committed to a policy of contributory health insurance to be administered by the provinces. All of the provinces are now engaged in various projects which could be integrated into a health plan. It is beyond question that a comprehensive plan requires both federal and provincial participation. In its proposals of 1945, the Federal government set its participation at 60 per cent. Thus, it is properly a federal-provincial matter, and it should be brought out into the open and placed before this conference for study and action. If this is not done, we can look forward to more misunderstanding and confusion. The Federal government and the ten provinces will continue to move in different directions, creating a hodge-podge that no one will be able to disentangle; and a national health plan will never be achieved simply because of the impossibility of finding common ground upon which to act. A few years more and an integrated plan becomes an impossibility. It was with this

in mind that Ontario asked that this matter be placed upon the agenda where it could be studied with a view to producing a sound, workable plan with which we could proceed.

Last April I proposed that this study should aim at the following:

- (a) A health insurance plan in which there would be both federal and provincial participation and in which the fullest details of the extent of the coverage to the individual would be given.
- (b) Estimates as accurate as possible of the cost of such a plan and how that cost would be shared—
 - (i) by the individual or family;
 - (ii) by the provincial government;
 - (iii) by the Federal government.
- (c) How the moneys to support such a plan would be raised.
- (d) In what manner and under what conditions a health plan could be proceeded with in stages in accordance with the medical and hospital organization and the financial position of each province.
- (e) In the stages suggested in (d), what priority could be given to meeting the crippling financial burdens imposed on the individual and family by prolonged illness and affliction.
- (f) In what way the plans established by individual provinces could be integrated into a federal-provincial health insurance plan.

Before placing before this conference certain additional proposals, may I say that while we believe in the need for an integrated plan, we recognize that it must be elastic enough to meet the varying requirements of the different provinces, otherwise it will not be workable.

Some provinces have fiscal commitments which oblige them to proceed with health services more slowly than others. Some have adopted health measures which inevitably will be consolidated and extended, differing completely from those adopted by other provinces. It would be very easy at this conference to propose a plan which would be inelastic or require participation on too great a scale, and accordingly make any general agreement impossible. It must be admitted that to date we have made little progress in bringing a national plan to fruition and I think it is partly for these reasons. I may say, sir, that last April I did discuss—the fact—and I suppose it is inherent in our agenda—that health grants from the Federal government should be more flexible to meet the needs of the provinces. Many of us find these health grants difficult to use because they simply do not fit into our system.

Our experience in Canada in some other fields can be our guide in this. When old age pensions were introduced in 1927, it was not made mandatory for all of the provinces to come in, or that they all come in at the same time. The provinces entered the plan over a period of years. It was not considered imprudent then to leave the matter of timing to each province's discretion and good judgment. It was not deemed unsound to have federal participation in one province and not in another. Old age pensions were introduced in some provinces and federal contributions were made, when for years federal contributions to other provinces were not possible because plans had not been introduced in them. Yet we know that this method did not stand in the way of the establishment in 1952 of a universal plan of old age pensions at 70 and old age assistance at 65, for well before then all the provinces were participating:

Such may be the case in health insurance. The Federal government has recently asked us to agree to a method of handling the unemployed employables. Conditions and standards vary not only in the provinces but in the municipalities of the provinces so that one area may be getting a larger contribution simply because of the local method adopted to deal with unemployment relief. This is true of the present federal health grants, where some provinces are able to use more of them than others because of local conditions. In a plan which might now be considered there can very easily be agreement as to the general objectives and the stages to be implemented. The timing of the introduction of the stages, however, can be left to be determined by the provinces in the light of their own problems. By this method a national plan will be evolved after the pattern of old age pensions.

The term health insurance is an all-embracing expression covering hospital services, diagnostic services and medical services. In regard to the first two, there is a very large uniformity of opinion. In regard to the third, there is not only disagreement but greater administrative difficulties. Accordingly, at this time our proposals relate to hospital and diagnostic services only.

For purposes of study by this conference, we are submitting certain proposals. They are not submitted in any dogmatic sense. We are prepared to consider the proposals of any other government and indeed there may be proposals from others that we would consider more desirable than our own.

We are anxious to evolve for Ontario a national plan that can be implemented in stages. We are prepared to enter into such a plan. We shall do our very best to participate fully and contribute in every way we can to the creation of such a plan. The provinces cannot be poured into one mould. Their approaches necessarily have to be different. Experience in these conferences has shown us that. Therefore, the plan must be broad enough and elastic enough to enable the provinces to cope with these differences, particularly in the matter of timing the implementation of the various stages. We do not think it is necessary to have a common approach, although there should be a common objective.

As in the federal proposals of 1945, we think a federal participation of 60 per cent would be fair. The method of financing that proportion would be a matter for the consideration of the Federal government.

With respect to financing the provincial share, we, in Ontario, believe it should be met as far as possible by a premium system which would be supported and facilitated by payroll deductions and other forms of premium payments. Necessarily there would be substantial supplementary payments from the consolidated revenues of the province. At present, we have hospital treatment extended on a very wide scale to indigents supported by provincial and municipal payments. We also have, as set out in a more detailed memorandum, provincially supported hospitalization for mentally ill and tubercular patients and certain other classes. These services and their costs should be integrated into the system. Therefore, in some respect we already have made substantial progress in the matter of hospital treatment for certain diseases, and, to a considerable degree, catastrophic cases are already being taken care of.

We are, therefore, submitting to the Conference for study a hospital plan together with certain suggestions for its implementation. We put these forward in the form of suggested answers to the matters which we placed before the Conference on the 26th of April last. We do so in the hope that from these

suggested plans, together with other proposals which will arise out of the studies to take place, will be evolved a program embracing enough and elastic enough to become by agreement a national plan with which we can all proceed. If this is done, it will end the present misunderstanding and confusion, and ultimately result in a comprehensive hospital plan across Canada.

Therefore, sir, we are submitting the following memorandum*—and for purposes of brevity, which the members of the Conference will applaud, we have reduced it to writing and I shall give them copies. I had originally intended to deal with these matters in a general way here, but it seems to be far better to deal with it in a separate memorandum which we will make available to the members of this conference. I by no means say that all of the blanks have been filled in. I have with me many experts in this field. There are many considerations and I think it would unduly extend the record to place too many proposals on it here. Accordingly, what follows will be a very abbreviated version of our more complete memorandum. Our technical men are available, and we would be very glad to discuss the details, sir, with such organization as this Conference in its wisdom sets up, and with any of the constituent governments of this country.

We are submitting the following:

- 1. A plan for diagnostic services, which all authorities agree is one of the essential parts of a hospital insurance programme.
- 2. A home care plan which can lift part of the burden from the expensive and highly specialized services of the public general hospital.
 - 3. Assistance in meeting extraordinary hospital costs.
 - 4. A hospital maternal care programme.
- 5. A full hospital insurance plan to be implemented by stages, as follows:
- (a) By governmentally and municipally paid premiums for indigent classes.
- (b) By payment of premiums by those on payrolls through payroll deductions.
- (c) Stages and methods by which self-employed persons, including farmers, business and professional persons, the casually employed and others, could be brought into the hospital insurance plan.

The foregoing proposals are submitted for study, consideration and perhaps amplification. Some represent steps towards the introduction of a full hospital insurance plan; others would supplement it. In relation to the last item, No. 5, and speaking for Ontario only, may I say that the implementation of a full hospital plan constitutes a very real administrative problem. Due to industrialization and developments which are taking place in various parts of the province, there are pronounced shifts in population. For instance, the large hydroelectric power works on the Niagara River involved large additions to that area's working forces. This is now true of the St. Lawrence as it was of the Ottawa River, and it applies as well to various other parts of our province. Our population is not static either in numbers or employment—conditions that have been accentuated with our emergence into a peacetime economy. We have also a large annual population growth as is evidenced, as I said, by the addition of 700,000 to our population in the last five years. At present, Ontario's population growth is running from 10,000 to 12,000 a month.

^{*}Appendix "D".

Our studies indicate that because of the large number of what we might term self-employed and casually employed persons, the full hospital plan would be best implemented by introducing at the beginning a partially mandatory and a partially voluntary system. There would be much less difficulty in adopting a mandatory system for those who are permanently employed on payrolls and for providing coverage for the indigent persons than there would for the classes lying between these two extremes, composed largely of the self-employed, which includes farmers and the casually employed members of business, professional and other classes. To provide coverage for this last group presents a very difficult administrative problem and for that reason they should be absorbed into the plan gradually. There are, of course, several ways by which this could be done. Ultimately everyone would be covered.

All this underscores the need for flexibility. The problem which Ontario would face in this regard might not be the problem of another province, whose difficulties would be in a different direction.

Again, as a matter of policy may I say that Ontario is prepared to come into a national plan which it suggests might be along the lines of what I outlined in a preliminary way on the 26th of April last, and which is elaborated here. The province's representatives are prepared to consider any alternative or alternatives with a view to producing a sound, workable plan. To deal with such a vast subject we suggest that a committee of this Conference be set up to proceed with intensive studies of it, and the matter could be referred back to the Conference at a later date.

In conclusion, may I say that we are anxious to co-operate in every way to make this Conference a success and to make progress in meeting the many challenging problems and opportunities which face our country and its provinces.

The Chairman (Mr. St-Laurent): Thank you, Mr. Frost. I do not know that it would be fair to ask Mr. Duplessis to commence at this hour. In the mimeographed programme that was distributed to you, it was suggested that we meet in the railway committee room to have a photograph taken, one which future generations will be so anxious to have.

In view of the large numbers who are here and the bright sunshine outside, it was suggested that we have the photograph taken outside. We would probably have to adjourn the Conference within the next fifteen minutes for that purpose, and it would therefore be unwise to call on Mr. Duplessis at this time. Of course, if he prefers to commence now, he may do so. However, I am sure that he would prefer, as I would, not to have his speech interrupted by the lunch hour.

Therefore, we might rise now and assemble in front of the Centre Block, under the Peace Tower, to have a photograph taken. I may say that I have attended more than one of these provincial conferences, but I think the number of advisers we have here on this occasion is larger than it has ever been before, and it would be advisable to have the photographer face us so that the picture will be something of interest to those who come after us. Indeed, I hope that those who come after us will have ample reason to be happy at the outcome of what we are attempting to do here.

Mr. Campbell: At what time will we resume, sir?

The Chairman (Mr. St-Laurent): I would suggest half-past two. This provincial conference and the National Fish Week coincide—though there is no connection between the two. There is a very fine display of what can be

[Mr. Frost.]

provided out of our fisheries being made for those who are at this table in the experimental kitchen of the Department of Fisheries. After the photograph has been taken we will step over to the West Block, a matter of two or three hundred paces to the Department of Fisheries. The gathering will reconvene here at 2.30.

—The Conference adjourned at 12.25 p.m.

AFTERNOON SESSION

The Conference resumed at 2:30 p.m.

Rt. Hon. L. S. St-Laurent, Prime Minister of Canada, in the chair.

HON. MAURICE DUPLESSIS (Premier of Quebec):

Monsieur le président, messieurs les premiers ministres, messieurs les

délégués,—

Nous assistons aujourd'hui à l'ouverture d'une conférence intergouvernementale canadienne dont l'importance primordiale, nous en sommes convaincus, est reconnue de tous. Aucun sentiment de partisanerie politique nous inspire. C'est notre intime conviction que le règlement amical et juste des problèmes constitutionnels canadiens dépasse de beaucoup, en importance, les intérêts partisans de tous les groupements politiques. C'est notre sincère désir de coopérer au progrès et à la prospérité de la patrie canadienne dans le respect intégral des libertés, prérogatives et droits essentiels des autorités provinciales et de l'autorité fédérale.

Nous voulons éviter, autant que faire se peut, de soulever des discussions susceptibles d'assombrir l'atmosphère de cordialité et de fraternité désirables et désirées.

La première question à l'agenda est évidemment le problème des relations fiscales fédérales-provinciales, c'est-à-dire celui de la répartition équitable et appropriée des sources de revenus fédérales et provinciales. Du règlement de ce problème dépendent, dans une large mesure, la vitalité et le progrès de la véritable harmonie nationale aussi bien que le développement et la prospérité du pays, des provinces, des corporations municipales, scolaires et paroissiales.

Pour apprécier à leur juste valeur le sens et la portée de ces questions fiscales ou financières, il importe de souligner certaines vérités fondamentales sur lesquelles doit être basé tout progrès réel et durable.

Rappelons d'abord que, dans chaque province, le contribuable fédéral est en même temps le contribuable provincial, municipal, scolaire et paroissial. Quel avantage y aurait-il à ce que le dollar d'impôt perçu pour des fins provinciales fasse un grand détour par Ottawa avant de nous revenir? Est-ce qu'il nous arriverait plus gros après un tel voyage? Évidemment non. La capacité de paiement du contribuable n'est pas illimitée et il importe de répartir convenablement, entre les pouvoirs qu'il soutient et dont il dépend, les impôts qu'il peut verser sans que soit détruit par des taux trop élevés son esprit d'initiative. La perception de ces impôts est profondément liée au fonctionnement même du gouvernement et deux axiomes bien connus sont incontestables: "Celui qui contrôle les cordons de la bourse exerce toujours en définitive l'autorité suprême", et "The right to tax is the right to govern".

Un illustre compatriote, Sir Wilfrid Laurier, déclarait en 1887:

"C'est un principe tout à fait faux que celui d'après lequel un gouvernement perçoit les revenus et un autre gouvernement les dépense."

Plus de quarante ans après,—car les vérités fondamentales apparaissent de plus en plus lumineuses avec les années,—le très honorable Mackenzie King, s'inspirant alors de la politique de Laurier, déclarait, en 1929, à la Chambre des communes:

I believe that everyone who has given any attention to public finance will agree that it is a thoroughly vicious system to have one body raise taxes and another body expend the money thus secured. In other words, give to the provinces these grants from the federal treasury, without their being obliged to raise the money themselves by taxation, and you will not get, with respect to expenditure, that careful supervision which would be exercised if the provinces themselves were obliged to raise the money in the first instance. It is a bad system, a thoroughly vicious system.

Et en 1930, M. King déclarait:

When on a previous occasion we were discussing this matter of grants from one treasury to another, I said I thought it was an unsound principle; in fact, I think I used the expression that it was a vicious principle to have one body raise the taxes and another body spend the people's moneys thus raised.

Nos pères ont opté pour le régime fédératif parce que dans un pays comme le nôtre c'est la seule formule qui soit conciliable avec la liberté et la démocratie. A l'échelon fédéral-provincial, nous sommes en présence non pas d'une hiérarchie mais d'une division des pouvoirs. L'autorité fédérale et l'autorité provinciale sont toutes les deux souveraines dans les limites de leurs attributions. Au droit exclusif de légiférer en certaines matières doit nécessairement correspondre le droit de prélever des impôts pour ces fins. A quoi servirait aux provinces le droit de bâtir des écoles et des hôpitaux s'il leur fallait se présenter devant une autre autorité pour obtenir les argents nécessaires? Leur souveraineté en matières d'enseignement et d'hospitalisation serait alors un vain mot.

Il convient aussi de considérer ces questions financières à la lumière de l'histoire et en fonction de nos droits et devoirs constitutionnels. Dans notre histoire politique, l'importance de l'année 1867 n'échappe à personne. Pendant près d'un siècle, après 1760, des luttes homériques furent livrées et de grands sacrifices furent accomplis afin d'obtenir un régime parlementaire et le gouvernement responsable. La Confédération n'a pas été établie pour oublier ou annuler ces grandes réalisations mais bien pour les confirmer et les consolider.

Or, il est certain qu'il ne peut exister de gouvernement responsable si, aux pouvoirs législatifs et administratifs, ne s'ajoutent pas les pouvoirs financiers et fiscaux, indispensables à l'exercice des droits et à l'accomplissement des obligations constitutionnels. Le bon sens et la bonne foi, qui sont toujours de mise, exigent que la reconnaissance d'un droit comporte automatiquement la reconnaissance du pouvoir de l'exercer.

Avant la Confédération canadienne l'union du Haut et du Bas Canada (Ontario et Québec) s'avéra une expérience malheureuse. De toute évidence, si l'union gouvernementale d'Ontario et de Québec ne fut pas heureuse, l'union de dix provinces sous un seul gouvernement serait encore plus malheureuse.

[Mr. Duplessis.]

C'est pourquoi les Pères de la Confédération, appartenant à des partis politiques opposés, à des religions différentes et à des races diverses, étudiant et délibérant dans une période de calme et de pondération, en vinrent à la conclusion logique qu'une confédération formée d'un pouvoir central et de provinces autonomes est le seul régime gouvernemental qui convienne au Canada. Ils attribuèrent à l'un et aux autres les prérogatives, les libertés et les pouvoirs nécessaires à un champ d'action défini.

Il est important de noter que lorsque, suivant l'expression d'un homme politique canadien, "le Parlement de Westminster s'est borné à authentiquer" l'entente conclue entre les représentants des quatre provinces pionnières, ou mieux, entre les représentants des deux grandes races, pour former une confédération canadienne, Lord Carnarvon, surnommé le législateur de l'Acte de 1867, déclara:

Lower-Canada (Quebec), too, is jealous, as she is deservedly proud, of her ancestral customs and traditions; she is wedded to her peculiar institutions and will enter this Union only upon the distinct understanding that she retains them.

Rappelons aussi qu'un de nos hommes d'état les plus illustres, Sir Wilfrid Laurier, inspiré par sa vaste connaissance du droit constitutionnel, affirma en 1871:

C'est un fait historique que la forme fédérative n'a été adoptée qu'afin de conserver à Québec cette position exceptionnelle et unique qu'elle occupait sur le continent américain.

Souvenons-nous aussi de la déclaration de l'hon. Honoré Mercier en 1884:

L'existence des provinces a précédé celle de la Puissance (Canada) et c'est d'elles que celle-ci a reçu ses pouvoirs. Les provinces sont souveraines dans les limites de leurs attributions et toute atteinte portée à cette souveraineté est une violation du pacte fédéral.

En 1925, le très honorable Ernest Lapointe, alors ministre fédéral de la Justice, déclarait:

Le pouvoir fédéral est l'enfant des provinces; il n'en est pas le père.

Ce sont là des vérités fondamentales que le véritable progrès ne peut jamais nous autoriser à mépriser. La Confédération a été préférée à l'union législative et c'est un état de choses définitif qui repose sur la bonne foi des parties contractantes et sur les intérêts bien compris au Canada.

Le Canada est trop vaste, les problèmes que soulèvent son administration et sa législation sont trop nombreux et trop variés pour ne relever que d'un état unitaire. L'ancien président des États-Unis, Woodrow Wilson, a proclamé cette grande vérité lorsqu'il a dit:

The history of liberty is the history of the limitation of governmental power, not the increase of it. When we resist concentration of power we are resisting the powers of death, because concentration of power is what always precedes the destruction of human liberties.

Seul le fédéralisme peut garantir l'harmonie nationale et faire du Canada une nation grande et forte en unissant, sans les confondre, les races et les régions qui le composent.

C'est l'une des prérogatives essentielles des provinces autonomes de pouvoir prélever, par voie de taxation directe et de la manière qu'elles jugent à propos, les deniers nécessaires au bon fonctionnement des services publics ainsi qu'à la mise

en vigueur des lois adoptées par leur Parlement, non seulement pour répondre aux besoins immédiats mais aussi pour pratiquer une politique d'avenir, car gouverner c'est prévoir.

Le système fédératif qui, fondamentalement, comporte une attribution des tâches publiques doit comporter également une répartition corrélative des sources de revenus. A quoi servirait aux provinces de posséder les pouvoirs législatifs et administratifs les plus étendus si, par ailleurs, elles étaient empêchées de prélever les deniers qu'exige l'exercice de ces pouvoirs?

Un gouvernement central qui s'approprierait les sources de taxation réduirait, en fait, les provinces à l'impuissance législative. En effet une province qui n'aurait d'autres revenus que les subsides fédéraux deviendrait une sorte d'organisme inférieur, sous la tutelle de l'autorité qui pourrait lui mesurer ses moyens de subsistance. En d'autres termes, elle remplacerait les guides qui permettent de conduire par des menottes qui paralysent et qui assujettissent. Elle donnerait à autrui la clef de sa maison, clef qui symbolise bien les pouvoirs fiscaux et qui démontre qu'on est maître chez soi, comme nous le désirons et comme nous avons le droit de l'être.

La constitution canadienne reconnait aux provinces le pouvoir exclusif de légiférer en des matières d'une très grande importance, notamment en ce qui concerne l'éducation, les institutions municipales, les travaux publics dans la province, les terres publiques, les hôpitaux, asiles, institutions et hospices de charité, l'administration de la justice et en ce qui touche à la propriété et au droit civil. Une législation progressive dans ces domaines entraine nécessairement des dépenses considérables et, de toute évidence, comporte pour les provinces le pouvoir de prélever les deniers nécessaires à ces fins. Les pouvoirs fiscaux sont d'autant plus indispensables dans une province qui se développe à pas de géant comme la province de Québec, développements qui enrichissent beaucoup le Canada et exigent, de la part de la province, de multiples dépenses additionnelles, entre autres pour de nouvelles écoles, de nouveaux hôpitaux, pour une législation sociale plus étendue.

Il convient de plus d'avoir présent à l'esprit le problème des corporations municipales et aussi ceux des corporations scolaires et paroissiales. Leurs sources de revenus diminuent en proportion de l'augmentation des sources de revenus du fédéral. Le fédéral s'attribue aujourd'hui plus de \$0.75 à même chaque dollar payé par le contribuable canadien, ne laissant aux provinces et aux corporations publiques, qui dépendent d'elles, moins de \$0.25 dans la piastre. A notre avis, il ne faut jamais oublier que la corporation municipale, et les autres corporations publiques de nature provinciale, forment des parties essentielles de notre mode démocratique de vie.

Pour accomplir leurs obligations et exercer leurs prérogatives les provinces se sont, en premier lieu, réservé les ressources naturelles; terres publiques, forêts, mines et minéraux, pouvoirs hydro-électriques, etc. Elles se sont, en outre, attribué, comme sources de revenus, la taxe directe, dans les limites de la province et pour des fins provinciales. La constitution canadienne confie aux provinces des tâches précises et très importantes et celles-ci ont droit aux impôts directs sous quelque forme que ce soit. Au gouvernement fédéral a été attribué l'exclusivité de l'impôt indirect et, de plus, certains droits en matières d'impôts directs, et cela, pour des fins fédérales et non pas pour des fins provinciales.

Jusqu'à la première guerre mondiale, c'est-à-dire pendant les cinquante premières années de la Confédération, alors que le souvenir des événements de 1867 était encore frais et qu'il était par conséquent plus facile d'interpréter l'intention des constituants, le gouvernement fédéral s'est abstenu, de façon générale, de recourir à la taxe directe, donnant par le fait même à la constitution canadienne, en matières fiscales, une interprétation importante. Lorsqu'en 1917 fut établi l'impôt fédéral sur le revenu, le ministre fédéral des Finances jugea bon de préciser que ce n'était là qu'une mesure provisoire, de la nature d'une mesure de guerre. De fait, Sir Thomas White, déclara à la Chambre des communes, au cours de la session de 1917:

The income tax is peculiarly within the jurisdiction of the Province and is a suitable tax for the purpose of the Province and the municipalities.

Lors de la seconde guerre mondiale les autorités fédérales pénétrèrent dans le champ des successions et dans d'autres sphères de taxation jusque là réservées aux provinces.

Le système fédératif offre de précieux avantages démocratiques; il constitue une des meilleures sauvegardes de la démocratie et celle-ci profite de la décentralisation que favorise le fédéralisme. C'est un fait historique que la centralisation se rencontre toujours dans les pays totalitaires et qu'elle constitue une condition sine qua non du socialisme d'État qui répugne particulièrement, et avec raison, à la province de Québec.

Lorque la constitution canadienne a été adoptée, seules deux taxes ont été remplacées par des subsides fédéraux aux provinces; les droits de douane et d'accise qui ont un caractère plutôt international.

Si les auteurs de la Confédération avaient voulu substituer des subsides fédéraux au pouvoir fiscal provincial, ils n'auraient pas nommément remplacé par des subsides fédéraux que deux sortes d'impôt et ils n'auraient pas nommément consacré des pouvoirs de taxation définis aux provinces.

D'aucuns affirment que les Pères de la Confédération n'ont pu prévoir les progrès de l'avenir. C'est une proposition sophistique qui ne distingue pas entre l'essentiel et l'accessoire. L'essentiel, le fondement, c'est le régime parlementaire démocratique basé sur le gouvernement responsable. L'accessoire réside dans les moyens à prendre pour atteindre ces fins fondamentales à la lumière des conditions nouvelles. Hier comme aujourd'hui, et aujourd'hui comme demain, un gouvernement qui ne possède pas des pouvoirs de taxation essentiels n'est pas un gouvernement responsable; il n'est qu'un organisme en tutelle ou en curatelle, paralysé dans ses moyens d'action, d'administration et de législation. Suivant l'expression d'un Canadien éminent et de regretté mémoire, l'honorable Angus Macdonald, il n'est qu'un "mere annuitant", situation qui est aux antipodes des prérogatives et de la dignité provinciales.

Le régime fédératif est la garantie d'un régime gouvernemental essentiellement démocratique et très rapproché du peuple, comme il convient. Au Canada le régime fédératif est basé sur le bon sens et la logique; il constitue, en particulier quant à la province de Québec, une puissante sauvegarde de ses droits inaliénables en matières éducationnelles. Un gouvernement unitaire serait susceptible de nous acheminer vers la disparition ou l'anémie des corporations municipales et des corporations scolaires. La constitution canadienne est le résultat d'une coopération bien entendue. Cette coopération doit se continuer pour le plus grand bien du pays, mais la coopération n'est pas et ne doit pas être une rue à sens unique; elle ne peut jamais être basée sur l'empiètement ou l'assimilation.

Assurément il convient de venir en aide aux provinces pauvres, dont le nombre a sans doute diminué, mais cette aide doit s'effectuer avec justice pour tous, pour celui qui reçoit comme pour celui qui donne. Depuis toujours, Québec ne s'est jamais laissée dépasser en générosité; depuis des siècles ses fils ont contribué à édifier le Canada. N'oublions pas que pendant de nombreuses années la population de notre province a versé au trésor fédéral des centaines de millions de dollars dont ont profité d'autres provinces.

Nous sommes toujours heureux d'aider mais, naturellement, il appartient au propriétaire de disposer de ses propres biens. Seules les provinces ont le droit de percevoir des impôts pour des fins provinciales. Ottawa tient à conserver ses pouvoirs de taxation. Pourquoi les provinces n'auraient-elles pas le même instinct de conservation? Que dirait le fédéral si les provinces, qui ont donné naissance à l'état fédéral, lui demandaient d'échanger ses pouvoirs de taxation pour des subsides provinciaux? Il est un précepte bien connu: "Ne faites pas aux autres ce que vous ne voudriez pas qu'on vous fit". La mise en application de ce précepte règlerait bien des problèmes, non seulement entre les individus mais aussi entre les peuples et les pouvoirs publics. La province de Québec ne demande pas de faveur; elle ne réclame que le respect des droits, prérogatives, libertés et devoirs de tous et chacun.

Dans l'opinion du gouvernement de la province de Québec la constitution actuelle, dont les fondements doivent demeurer, est assez claire, mais comme des doutes à ce sujet ont été exprimés par des personnes de bonne foi, nous croyons utile de les faire disparaître par les trois méthodes suivantes:

- 1. CLARIFICATION et DÉLIMITATION précise des pouvoirs de taxation du fédéral et des provinces, suivant l'esprit et la lettre de la constitution canadienne, c'est-à-dire en tenant compte du passé, du présent et de l'avenir.
- 2. SIMPLIFICATION de l'impôt public de manière à en diminuer le coût et en faciliter la perception.
- 3. Collaboration de tous les pouvoirs publics pour en arriver à la MODÉ-RATION dans le domaine de l'impôt afin d'alléger en autant que possible le fardeau du contribuable.

Il existe trop souvent une tendance à accroître inopportunément les tâches de l'État et à provoquer, comme conséquence inévitable, la hausse des impôts. Nous considérons que ce n'est pas le rôle de l'État de vouloir se substituer à la Providence et de détruire ainsi l'initiative personnelle et le sens des responsabilités individuelles, facteurs de solide et durable progrès.

Il va sans dire que toute proposition ou tout projet d'entente que nous considérons approprié, juste et recommandable devra être soumis à l'approbation des membres du Parlement de Québec.

En définitive, la province de Québec désire coopérer amicalement au succès de la conférence dans le respect des droits essentiels de tous et chacun. Elle est intimement convaincue qu'elle rend un service signalé au pays tout entier et qu'elle fait écho aux sentiments des fondateurs de la Confédération et des plus illustres canadiens en réclamant la sauvegarde du gouvernement responsable et le respect intégral du fédéralisme canadien.

We are today inaugurating a Conference between Canadian governments and its primordial importance, we are convinced, is recognized by everyone. No feeling of political partisanship inspires us. It is our profound conviction that a just and friendly solution of Canadian constitutional problems far transcends, in importance, the partisan interests of any political group. It is our sincere desire to co-operate towards the progress and prosperity of our Canadian homeland, while fully respecting the liberties, prerogatives and essential rights of both provincial and federal authorities.

We wish to avoid, as much as possible, discussions liable to cast a shadow on the cordial and fraternal atmosphere which is both desirable and desired.

The first question on the agenda obviously is the problem of federal-provincial fiscal relations; in other words, the equitable and appropriate division of federal and provincial revenue sources. The vitality and progress of a genuinely national harmony, as well as the development of Canada, of the provinces, the municipal, school and parish corporations, are intimately connected with the solution of this financial problem.

It is important to focus attention upon certain fundamental truths, on which all real and lasting progress must be based, if we are to appraise the meaning and scope of these fiscal or financial questions at their true value.

Let us, first of all, remember that in each province the federal taxpayer is at the same time the provincial, municipal, school and parish ratepayer. What advantage would be gained in having the tax-dollar collected for provincial purposes make a wide detour via Ottawa before being returned to us? Would it be any bigger when it reached us after such a journey? Obviously not.

The taxpayer's ability to pay is not limitless and it is necessary that the tax he pays should be suitably levied and divided between the powers, which he supports and on which he depends, so that his spirit of initiative will not be destroyed by unduly onerous assessments. The collection of these taxes is closely linked to the essential function of government and the truth of two well-known axioms is undeniable: "Whoever holds the purse-strings, at all times, exerts the supreme authority", and "The right to tax is the right to govern."

An illustrious Canadian, Sir Wilfrid Laurier, declared in 1887:

The principle by which one government collects the revenues and another government spends them is wholly false.

More than forty years later—because basic truths become more and more luminous with the passage of the years—the Rt. Hon. Mackenzie King, being then inspired by the policy of Laurier, told the House of Commons in 1929:

I believe that everyone who has given any attention to public finance will agree that it is a thoroughly vicious system to have one body raise taxes and another body expend the money thus secured. In other words, give to the provinces these grants from the federal treasury, without their being obliged to raise the money themselves by taxation, and you will not get, with respect to expenditure, that careful supervision which would be exercised if the provinces themselves were obliged to raise the money in the first instance. It is a bad system, a thoroughly vicious system.

And in 1930 Mr. King further stated:

When on a previous occasion we were discussing this matter of grants from one treasury to another, I said, I thought it was an unsound principle; in fact, I think I used the expression that it was a vicious principle to have one body raise the taxes and another body spend the people's moneys thus raised.

The Founding Fathers chose a federative system because, in a country such as ours, it is the only formula that can be reconciled with freedom and democracy. On the federal-provincial plane there can be no question of a hierarchy but only of a division of powers. The federal authority and the provincial authority are both sovereign within the limits of their attributions. With the exclusive right of legislating in certain matters there ought necessarily to go the corresponding right to impose taxes for these purposes. Of what use would it be for the provinces to have the right to build schools and hospitals if they are dependent on another authority in order to obtain the necessary funds? Their sovereignty with respect to education and hospitalization would then be meaningless.

It is also proper to consider these financial questions in the light of history and in relation to our constitutional rights and duties. In our political history, the importance of the year 1867 is inescapable. Homeric conflicts were fought and great sacrifices were made, for nearly a century, after 1760, to achieve responsible government and a parliamentary regime. Confederation was established to confirm and to consolidate these tremendous accomplishments but never to forget them or render them useless.

It is certain that responsible government can never exist if fiscal powers, which are indispensable to the exercise of the constitutional rights and the performance of the constitutional obligations, are not wedded to legislative and administrative prerogatives. Common sense and good faith are always in order and they demand that the recognition of a right shall automatically include the recognition of the power to exercise it.

Prior to Confederation, the Union of Upper and Lower Canada proved to be an unfortunate experiment. Obviously, if the union of Ontario and Quebec was not successful, the legislative union of ten provinces under a single government would be still more unfortunate. That is why the Fathers of Confederation, belonging as they did to opposing parties, to differing religions and to diverse races, studying and deliberating in a period of calm and reflection, came to the logical conclusion that a confederation formed of a central power and of autonomous provinces is the only governmental regime suitable for Canada. They attributed to one and to the others the prerogatives, liberties and powers necessary to a defined field of activity.

It is important to bear in mind that when, according to the expression of a Canadian public man, "the Parliament of Westminster limited itself to authenticating" the understanding reached between the representatives of the four pioneer provinces, or, more appropriately, between the representatives of two great races, to form a Canadian confederation, Lord Carnarvon, who has been called the legislator of the Act of 1867, declared:

Lower Canada, too, is jealous, as she is deservedly proud, of her ancestral customs and traditions; she is wedded to her peculiar institutions, and will enter this Union only upon the distinct understanding that she retains them.

[Mr. Duplessis.]

Let us also remember that one of our most illustrious statesmen, Sir Wilfrid Laurier, drawing on his vast knowledge of constitutional law, affirmed in 1871:

It is a historical fact that the federative form of government was adopted only to conserve to Quebec the exceptional and unique position which she occupied upon the American continent.

The declaration of Honourable Honore Mercier, in 1884, may also be recalled:

The existence of the provinces preceded that of the Dominion (Canada) and it was from them that she received her powers. The provinces are sovereign within the limits of their attributions and any assault upon that sovereignty is a violation of the federal pact.

In 1925, the Rt. Hon. Ernest Lapointe, then Federal Minister of Justice, declared:

The federal power is the child of the provinces; it is not their father.

These are basic truths that no real progress can ever put aside. Confederation was preferred to legislative union and this is a definite state of affairs which is founded on the good faith of the contracting parties and upon the best interests of Canada.

Canada is too vast a country and her administration and her legislation have to deal with too many, too varied and too complex problems to be governed by a unitary state. A former President of the United States, Woodrow Wilson, proclaimed an obvious truth when he said:

The history of liberty is the history of limitation of governmental power, not the increase of it. When we resist concentration of power we are resisting the powers of death, because concentration of power is what always precedes the destruction of human liberties.

Federalism alone can guarantee national harmony and can make Canada a great and strong nation by uniting, without merging them, the races and the regions of which she is composed.

It is one of the essential prerogatives of autonomous provinces to be able to raise, by means of direct taxation and in the way they deem best, the moneys necessary for the good functioning of public services and also for the application of the laws adopted by their parliaments; these prerogatives ought to be considered not only in terms of immediate needs but also to pursue a forward-looking policy, since to govern is to foresee.

The federative system which necessitates, fundamentally, an attribution of public tasks, must also provide a correlative division of revenue sources. Of what benefit to the provinces would be the most extensive legislative and administrative powers if, on the other hand, they were prevented from collecting the revenues that the exercise of these powers demands?

A central government which would appropriate to itself the sources of taxation would, by this very fact, reduce the provinces to legislative impotence. Effectively, a province with no other revenues than federal subsidies would become a kind of inferior organism, under control of the authority which could measure out its means of subsistence. In other words, such a situation would amount to replacing the reins enabling one to drive with shackles that paralyze and enslave. It would amount to giving the key of one's house to another. This key is a fitting symbol of fiscal powers and indicates that one is master in one's own home, as we desire and have a perfect right to be.

The Canadian constitution consecrates the exclusive right of the provinces to legislate respecting matters of very great importance, notably in regards to education, hospitals, asylums, institutions and charitable homes, public works within the province, administration of justice and all which touches property and civil rights. A progressive legislation in these domains necessarily entails considerable expense and clearly requires that the provinces have the right to raise the necessary moneys. Fiscal power is all the more indispensable in the case of a province, such as the Province of Quebec, which is developing itself with giant strides; development which greatly enriches Canada but which exacts, on the part of the province, numerous and additional outlays in particular for new schools, new hospitals, for social legislation and for other provincial purposes.

Moreover our attention should be focussed on the serious problem facing municipal corporations and also school and parish corporations. Their sources of revenue are decreasing proportionately to the increase of the federal sources of revenue. Ottawa, today, is taking more than \$0.75 of each dollar paid by the Canadian taxpayer, leaving to the provinces and to the provincial public corporations less than \$0.25 of each dollar. Let us always remember that municipal corporations and other public corporations of a provincial character form an essential part of our democratic way of life.

For the fulfilment of their obligations and the exercise of their prerogatives, the provinces have reserved to themselves, in the first place, their natural resources, public lands, forests, mines, hydro-electric powers, etc. In addition, direct taxation within the limits of the province and for provincial purposes has been recognized as a provincial source of revenue. The Canadian constitution entrusts to the provinces precise and very important duties and the provinces have a perfect right to levy and collect revenue coming from direct taxation. To the Federal government have been exclusively attributed indirect taxation and, moreover, certain rights with respect to direct taxes, but for federal purposes only and never for provincial purposes.

Up to the first world war, that is to say during the first fifty years of Confederation, when the events of 1867 were still fresh in people's memory and, consequently, when it was easier to interpret the intention of the constituents, the Federal government abstained, in a general way, from levying direct taxes and, by that very fact, gave an important interpretation to the Canadian constitution with respect to fiscal matters. When the federal income tax was established in 1917, the federal Minister of Finance thought well to specify that this was only provisional and in the nature of a war measure. In fact, Sir Thomas White told the House of Commons during the session of 1917:

The income tax is peculiarly within the jurisdiction of the province and is a suitable tax for the purposes of the province and the municipalities. During the second world war Ottawa penetrated into the field of succession

duties and into other spheres of taxation until then reserved to the provinces.

Federalism offers invaluable democratic advantages. It constitutes one of the best safeguards of democracy which benefits from the decentralization it favours. It is a historic fact that centralization is always found in totalitarian countries and is a *sine qua non* of state socialism which is particularly repugnant, and with reason, to the Province of Quebec.

When the Canadian constitution was adopted only two taxes were replaced by federal subsidies to the provinces: customs and excise duties which partake of an international character.

[Mr. Duplessis.]

If, in the opinion of the Fathers of Confederation, federal subsidies were to replace provincial fiscal powers, they would not have specifically replaced only two taxes by such federal subsidies and, furthermore, they would not have specifically reserved to the province definite powers of taxation.

Some persons contend that the founding Fathers could not have foreseen what was to happen in the future. That is a sophistic argument which fails to distinguish between the essential and the accessory. The essential, the basis, is the democratic parliamentary regime based upon responsible government. The accessory consists in the means or methods to be taken to attain these fundamental ends in the light of new conditions. Yesterday as today, and today as tomorrow, a government which does not possess essential powers of taxation is not a responsible government; it is merely an organism in tutelage or in curatorship with its administrative and legislative activity practically paralyzed. In the opinion of an eminent Canadian, the late and regretted Hon. Angus Macdonald, it is no more than a "mere annuitant". It is clear that such a situation is at the antipodes of provincial prerogatives and dignity.

Federalism is a guarantee of an essentially democratic regime and one very close to the people, as should be the case. Our Canadian federalism is based on common sense and logic and constitutes, especially in respect to the Province of Quebec, a powerful safeguard for its inalienable rights in educational matters. A unitary government would lead towards the disappearance of anaemia of municipal and school corporations in particular.

The Canadian constittion is the result of comprehensive co-operation. This co-operation should be continued for the greatest good of the country, but co-operation is not and must not be a one-way street, nor can it ever be based upon encroachment or assimilation.

Assuredly it is in order to come to the aid of the poor provinces, the number of which has undoubtedly decreased, but that aid should be given in a way that is fair both to the donor and to the beneficiary. At no time has Quebec ever allowed herself to be out done in generosity; for centuries her sons have magnificently made their contribution to the upbuilding of Canada. Let us not forget that for many years the population of our province has been pouring hundreds of millions of dollars into the federal treasury, from which the other provinces have largely benefitted.

We are always happy to help but, naturally, it is for the owner to decide what disposal should be made of his own assets. The provinces alone have the right to collect taxes for provincial purposes. Ottawa insists upon keeping her powers of taxation. Why should the provinces not have the same instinct of conservation? What would the federal authority say if the provinces, which gave birth to the federal state, were asking Ottawa to exchange her powers of taxation for provincial subsidies? The golden rule says: "Do not do to others what you would not have them do to you". The application of this precept would settle many problems, not only between individuals but also between peoples and public powers. The Province of Quebec is not asking for favors; it only claims respect for the rights, prerogatives, liberties and duties of one and all.

It is the considered opinion of the Government of the Province of Quebec that the Canadian constitution, whose foundations should remain untouched, is sufficiently clear, but since doubts on this subject have been expressed by persons of good faith, we suggest it would be useful to dissipate these doubts and this by the three following methods:

- 1. CLARIFICATION AND DELIMITATION of the powers of taxation of both the federal and provincial authorities, in accordance with the letter and spirit of the Canadian constitution, that is to say having regard to the past, the present and the future.
- 2. SIMPLIFICATION of public taxation in such a way as to reduce its cost and facilitate its collection.
- 3. MODERATION in the domain of taxation to be arrived at by the collaboration of all public powers, in such a way as to ease the burden of the taxpayer so far as possible.

Too often there is a tendency to increase the tasks of the state and, consequently, to provoke inevitable increases of taxation. We consider that the state's proper role is not to substitute itself for Providence and thus destroy personal initiative and the sense of individual responsibility, factors of solid and enduring progress.

It goes without saying that any proposal or suggested agreement which would appear to us appropriate, just and recommendable will have to be submitted to the approval of Quebec's Parliament.

To sum up, the Province of Quebec is desirous of co-operating, in a friendly way, towards the success of this conference, while respecting the essential rights of one and all. It is her innermost conviction that she is rendering a notable service to the country at large and that she is echoing the sentiments of the founding Fathers and of the most illustrious Canadians when she urges the safeguarding of responsible government and the integral respect of Canadian federalism.

The Chairman (Mr. St-Laurent): The Premier of Nova Scotia.

Hon. Henry D. Hicks (*Premier of Nova Scotia*): Mr. Prime Minister and gentlemen, I have listened with great interest, of course, to the addresses of the three speakers who have preceded me. The Prime Minister's friendly, receptive, but at the same time realistic summary of the situation, I think sets the tone, and confirms the hope that we may accomplish something lasting at this conference.

I never realized before how much Nova Scotians should weep over the difficulties of the unfortunate Province of Ontario until I heard Premier Frost's summary of their position this morning. There was recalled to my mind a French phrase from an early reader: "Chacun cherche ce qu'il lui manque." Nova Scotia feels that it lacks sufficient industries, and so we are seeking additional ones; but the Province of Ontario appears to seek liberation from the responsibilities concomitant with the surfeit of industry that has sought location and seeks location in that province.

Premier Frost also mentioned one other subject in which we are interested in Nova Scotia, and that had to do with farm marketing legislation, and the proposal emanating from his Department of Agriculture that some attention should be given to a possible amendment to the federal act here. I do not think, in these introductory remarks, it would be appropriate to go into these details, but I do want to say that we in Nova Scotia are also vitally interested in this; and while it seems to me there are some difficulties of a constitutional nature, we would be interested, if the opportunity presents itself, to discuss this further.

[Mr. Duplessis.]



Now, the Prime Minister of Quebec knows that we in Nova Scotia always listen to his views with a good deal of interest and a good deal of sympathy, though unfortunately (and this does not apply only to the position of Nova Scotia, with relation to the provinces of say Ontario and Quebec.) sometimes views are possible to a man of great means that are most difficult for espousal by the man of modest means.

Let me turn, Mr. Prime Minister, to the main topic that concerns us during this day and these days. Surely, we must assume that the British North America Act sought to establish the best form of government for all the people of Canada. It allocated responsibilities to the Government of Canada and to the governments of the various provinces, but surely the allocation was made in a manner calculated to benefit the whole Canadian people. I would like to feel that each of us speaks on behalf of Canadians domiciled in our respective provinces and, that we strive to do more than merely to benefit our respective governments without regard to the needs of all Canadians. The responsibility of each of us is surely in some measure, perhaps I should say in large measure, to all the people of Canada and any discussion which ignores that basic responsibility can only result in frustration and failure. Canada is one nation with several governments but each government is charged with responsibility to citizens of Canada. The distribution of sources of revenue with which each government discharges its responsibilities is one created by statute. That statutory distribution of taxing power must never become the cause of Canadians in any province being deprived of essential services while the nation as a whole grows and prospers. We must have an appreciation of the problems which face the nation and of the particular problems which face its component parts. To any suggested solution of a problem we must apply this test—is it good for the nation? If the suggested solution cannot meet that test, if its result is to benefit one part of Canada at the expense of other parts or another part, if its result is to raise the standards of living and services in one part of Canada and to depress or ignore standards of living and services in another part, then it is not a lasting solution of the problem but rather one which will serve to create or to perpetuate grievances and promote disunity. It will not contribute to the growth of a great united Canada.

This nation was founded on compromise. In 1867 it was apparent that union entailed adjustments and insofar as the Fathers of Confederation were able to look into the future, adjustments were considered on a basis fair to all. As you all know, Nova Scotia entered Confederation with certain misgivings, some of which time has proven to have been justified. However, I do not intend to recall past grievances, be they real or imaginary, for I believe, and the people of Nova Scotia believe, that this nation of which we form a part will ultimately so deal with its citizens, whether they be in Nova Scotia or elsewhere, as to remove past grievances and create a nation united not only by statute but by a sharing of responsibilities and benefits on a basis fair and equitable to all.

One of the representations which induced Nova Scotia to enter Confederation was that in general, and specifically as a result of the building of the Intercolonial Railway, Nova Scotia would share in the internal commerce which the creation of Canada was intended to promote. That representation although undoubtedly made in good faith, has failed of realization. There has been no technical violation of the confederation pact but the "mutual benefit and prosperity of all provinces" of which Cartier spoke has failed of mutuality. It is

here that equity should step in to correct the balance and achieve the mutuality which the strict letter of the confederation pact has failed to achieve.

If national policies have in the past worked to the disadvantage of any region of Canada, if the disadvantage so created has retarded the economic development of that region, then national policies must be devised which will alleviate or overcome this disadvantage. All machinery of government both federal and provincial must be utilized in so far as possible in a manner calculated to bring prosperity to all the provinces. We should be able to distribute the benefits of Canadian federation so that all the provinces may have a fair share of the benefits and not be required to carry an undue share of the disadvantages and burdens. In Canada today our problem is not one of production, is not one of wealth but rather a problem of a just and equitable distribution of the wealth of Canada. A frank recognition of regional difficulties arising from economic or other causes coupled with a common determination to devise remedies, should find a solution. A condition precedent to a prosperous and united Canada is the prosperity of each province. We hope for a fair readjustment of our financial relations with Canada so as to be in a position to discharge effectually our constitutional responsibilities to our Canadian citizens. We look for the realization of the original hope of confederation—unity, prosperity and contentment for the people of all the provinces as well as for the whole of Canada.

In 1867 the grants given for the support of provincial governments were, within certain limits, of a fixed amount. It was apparently an accepted theory of those times that the functions of government should be limited to a minimum. The Fathers of Confederation intended that the provinces should not make a gain out of their grants and should be discouraged from overspending. The policy may have been a wise one when considered against the background of the times but it has proved to be too rigid and inelastic when we bear in mind the development which has taken place in the conception of the machinery and functions of government. Through the years the income of Canada from the revenue sources surrendered by the provinces has steadily expanded. Constitutional responsibilities allocated to the provinces which in 1867 were considered of small financial concern have grown to the point where some of them have become major fields of provincial expenditure.

I mention the matter of grants in order to remind you that in 1867 it was recognized that the revenue fields left to the provinces were inadequate and had to be supplemented by dominion grants. The degree of supplementation should be considered today against the background of today's functions of government. I recognize as inherent in the payment of grants by one government to another the danger that the recipient government will be extravagant or that it will fail to till adequately its own tax field. I have no fear, however, that an examination of the public accounts of Nova Scotia since 1867 will reveal any extravagant spending or that an examination of our tax structure will reveal any inadequate tillage. To the contrary our public accounts will show frugal spending, carefully considered, and rates of taxation well up to if not above the Canadian average.

The fundamental weakness of the original financial arrangements between the dominion and the provinces lay in the assumption that the expenditures of the provinces would be determined in the main by growth of population rather than by acceptance of new governmental responsibilities. The only criterion both of provincial financial need and of the capacity to provide for that need

[Mr. Hicks.]

was population. It is now apparent that population has grown most rapidly in those regions enjoying rapid industrial growth and in which the tax potential was and is also increasing. In those regions where population has increased more slowly there has been a corresponding lag in industrial development, economic growth and in the growth of tax potential.

It is now evident that the relative capacity of the different provinces to provide even a minimum standard of services cannot be determined by reference to population figures alone. If, therefore, population does not provide a satisfactory yardstick to measure the extent to which a province should share in the general tax revenues of Canada, what yardstick can be applied? I suggest that any formula which might be devised should take into consideration not only the population of the province but also its tax potential. And it would appear that in making this suggestion I am not entirely alone here today.

Although I have spent some time in developing my views as to the payment of grants by Canada to provinces which may require financial assistance in discharging their constitutional responsibilities, I wish to emphasize that I consider such grants no more than a palliative. Ideally, I say ideally, our primary purpose should be to achieve a cure for the illness that has created the need for grants. The ideal condition will exist when all the provinces have such levels of economic well-being and sources of revenue as to make grants unnecessary. It may be said by some that our economic condition and our level of essential services are matters of concern for ourselves alone, that our failure to achieve economic progress comparable to some parts of Canada is attributable to our own shortcomings.

In so far as the Maritime Provinces are concerned, I would reply by requesting a perusal of the reports of the various royal commissions that have inquired into our economic conditions. That perusal will show that the economic condition of the Maritime Provinces has arisen from causes over which our people had little or no control. As to the suggestion that our level of essential services are matters of concern to ourselves alone I would like to quote from the report of the Royal Commission on Dominion-Provincial Relations (the Rowell-Sirois Commission):

The quality of education and welfare services is no longer a matter of purely provincial and local concern. In Canada today—And that was just before world war II, 1939, I think.

—freedom of movement and equality of opportunity are more important than ever before, and these depend in part on the maintenance of at least minimum national standards for education, public health and care of the indigent. The most economically-distressed areas are the ones least capable of supporting these services, and yet are also the ones in which the needs are likely to be greatest. Whether the remedy lies in emigration from these areas or in the development of alternative means of livelihood, they must not be allowed to become backwaters of illiteracy and disease. Not only national duty and decency if Canada is to be a nation at all, but equity and national self-interest demand that the residents of these areas be given average services and equal opportunities, —equity because these areas may have been impoverished by the national economic policies which enriched other areas, and which were adopted in the general interest. Those whose interests were sacrificed have some claim that the partnership should work both ways. National self-interest

demands it because the existence of areas of inferior educational and public health standards affects the whole population, and creates many grave and dangerous problems. In this modern age the constant contact and intermingling of the population between favoured and unfavoured regions is bound to occur. The more fortunate areas cannot escape the pressure on their standards and the effect on their people; in this case prevention, in both fiscal and human terms, is much cheaper than the cure.

Let us consider the stated policy of Canada with respect to federal-provincial financial arrangements. The Dominion-Provincial Conference on Reconstruction met at Ottawa in 1945 and at that time Canada made certain proposals. Whether or not the proposals were acceptable is not now important, but the considerations which prompted Canada to make the proposals are as valid and relevant today as they were in 1945. The following quotations are taken from the Proposals of the Government of Canada, August, 1945:

These proposals assume a broad federal responsibility, in co-operation with provincial governments, for establishing the general conditions and framework for high employment and income policies, and for support of national minimum standards of social services. They also assume that provincial governments should be in a financial position to discharge their responsibilities adequately.

The third requirement of post-war financial arrangements is that they should make possible at least an adequate minimum standard of services in all provinces while not denying to any province the advantages which its resources give to it nor the freedom to establish its own

standards.

The fourth requirement is that the dominion-provincial financial arrangements must be such as to strengthen, not weaken, the federal system established in our constitution. They must be such as will give to the provincial governments a dependable financial basis on which to operate and assure them of freedom to make the decisions for which they are responsible, independently of the dominion.

Let no other advantage be considered than the advantage of the

people of Canada.

The then Prime Minister of Canada speaking at that conference stated:

It is a basic feature of the Dominion proposals that every provincial government should be put in a financial position to discharge its constitutional responsibilities adequately.

The present Prime Minister in his letter dated January 14, 1955, advising the provincial premiers of the intention of the government of Canada to amend the federal income tax law so as to grant a reduction of 10 per cent to all taxpayers of any province where a provincial income tax is levied stated:

At the same time we made it clear that the present government had no intention of abandoning the objective of the tax rental agreements which is to make it financially possible for all the provinces whatever their tax base to perform their constitutional functions themselves and to provide a reasonable Canadian level of provincial services without an abnormal burden of taxation. That is the foundation of the policy of the federal government.

This policy of the Federal government, if fully implemented, will accomplish that which the British North America Act attempted to accomplish. This policy will safeguard the autonomy of every province by assuring to it the revenues necessary to provide services in accordance with the Canadian standard. This policy is in accordance with the spirit of the British North America Act.

I would like to consider for a moment whether the objectives of the tax rental agreements as stated by the Prime Minister have been attained. In order for the various provinces to furnish a Canadian standard of services they must have something approaching equal per capita revenue. The tax rental agreements give approximately equal per capita payments to each contracting province but each province must supplement that amount by recourse to local taxation. When one considers the tax potential of the various provinces it is obvious that some provinces are able to raise a per capita tax in excess of that in some of the less favoured provinces. The result is that the financial ability of the provincial governments to give essential services to their people varies from province to province with the ability of each government, to supplement from local sources of revenue, the payments received from Ottawa. Since this variance exists the objective of the Federal government to secure minimum standards of services for the Canadian people has not been fully achieved. Certainly in a federal state no absolute equality can ever be achieved but some approach could and should be devised which will take into account the ability of the various provincial governments to raise necessary moneys by local taxation. If the tax potential of the various provinces is capable of measurement on some basis fair to all, then inquiry should be made as to whether or not the various provincial tax rates are at a reasonable Canadian rate. If the results show that a province taxing its available taxation fields at an average Canadian rate is unable to raise sufficient revenue to furnish average standards of services to its people, this might well be (indeed, I think it should, and must, be) a factor to be considered in devising any future formula for calculating grants from the Federal government to the governments of the provinces whether under tax rental agreements or otherwise. It is, of course, most difficult to measure the tax potential of any province and there are so many factors involved that perhaps the potential cannot be measured to a nicety, but even admitting that, there are factors which give an indication of the comparative tax potential of the various provinces. I suggested in April, and I suggest again, that the per capita income of each province is one measure of tax potential. Nova Scotia's representative furnished to the Preparatory Committee a formula which took into consideration the per capita income of the various provinces, expressed that in terms of the ratio of the national average to the provincial average and then multiplied the present guaranteed minimum under the existing tax rental agreements by the percentage of the national average above the provincial average. The result is then multiplied by the composite ratio for the year under consideration. That is an application of a comparative per capita income figure to the existing tax rental agreements. It is one way in which such a factor can be applied. There may be others just as good, or even better, but we submit that this proposal has both the virtues of simplicity and fairness. I have had an opportunity of perusing an equalization formula submitted to the committee by the Province of New Brunswick and, though we think it is not quite as simple as ours, it has much to commend it, and, interestingly enough, the results of its application are not too dissimilar

to those of the Nova Scotia suggestion. I have also perused a suggested formula submitted by British Columbia and it offers another interesting approach. The Saskatchewan members of the committee forwarded, as of interest to the other members, tax rental formulae explored by them and they furnish yet other approaches. The objectives are not dissimilar and whether they are attained by using as the test of tax potential an ideal or average set of tax rates or per capita income or a combination of both or some other test, is important only in so far as it deals with all provinces in a fair and equitable manner.

The tax rental agreements partially achieved the objective of the Federal government to secure a minimum standard of services for all the Canadian people. The objective will be substantially achieved if the tax rental payments are supplemented in the manner that I have suggested. The tax rental agreements, in my opinion, have been favourably received by the Canadian people and should not be discarded unless some other plan will achieve the stated objectives in a way more acceptable to the Canadian people. The agreements have eliminated double taxation and duplication of collection machinery. They have eliminated the problems of determining for tax purposes the questions of residence and domicile as between the various provinces. They have eliminated for the individual taxpayer, and corporations, the problem of calculating the application of the taxing statutes of the various provinces to his or its income. All this should not be discarded without the most serious consideration.

Related to what I have just been discussing there is another point I should like to urge with as much force as I possibly can. The present agreements are for a term of five years. The provincial governments do not know whether the Federal government will be prepared to renew the agreements, or on what terms. Under such an arrangement it is difficult for a province to make any long-term budgetary plans. I believe that the agreements should be for a term of five years, if you proceed by way of agreement at all, because it is advisable to have a periodic review of the financial position but there should be a provision for renewal at the option of each province. I suggest that if at the end of a fivevear period the Federal government and the provinces (or any given province) cannot agree upon a revision or variation of the existing arrangement, then the existing agreement should be renewable for a further period of five years. This would enable the province to plan its financing with some degree of certainty over a period of ten years, and, if, at the end of five years, agreement on a revision or variation of the existing arrangement could not be reached the province would at least have five years notice that drastic changes would have to be made in its government financing.

Another question related to this arises out of the fact that under the 1947 tax rental agreement in the case of Nova Scotia, the guaranteed minimum annual amount was \$10,870,140. The adjusted payment according to the Canada Year Book for 1948 was \$11,994,000, for 1949 was \$12,490,000, for 1950 was \$13,622,000, for 1951 was \$14,905,000, for 1952 was \$16,133,000.

Under the 1952 agreement in the case of Nova Scotia the guaranteed minimum annual amount is \$15,348,220. The adjusted payment for 1953 was \$20,286,000 and for 1954 was \$21,429,000. Notwithstanding the fact that the adjusted payments gradually increased, the possibility was always present that the province would receive no more than the guaranteed minimum. If the

[Mr. Hicks.]

possibility had become a reality in 1952, the revenues of Nova Scotia would have decreased roughly \$5 million below the 1951 revenues. When such a possibility exists it is apparent that the payments under the agreement do not insure the stability of provincial revenues. An eventuality such as I have suggested could only occur as the result of a sudden and drastic drop in the gross national product. The Federal government might lower taxes and resort to deficit financing in an attempt to bolster the national economy, but some of the provinces being in no position to resort to deficit financing, would probably have to resort to increased taxation and thereby nullify, in part at least, the efforts of the Federal government to stimulate the economy by the imposition of lower tax rates. I suggest that consideration should be given to this matter and that any future agreement should be in such form as to insure that a province would not be disastrously affected by a sudden and drastic drop in the gross national product. If there should be no agreements, then the same principle would apply to adjustment grants that might be made under such agreements.

Now, I realize that the provinces cannot expect to have everything their own way, but perhaps some reasonable guarantee could be given that the drop in any one year would not be too drastic, governed by a percentage, so that it could not drop below the lowest figure in the preceding two years, or something like that. That might afford the sort of protection that the provinces need if they are to carry out the spirit of the very worthwhile quotations the Prime Minister used this morning in stating our objectives, making possible, I think he said, "farsighted fiscal policies and stabilization of provincial revenues". Of course, all these require a guarantee which has not heretofore existed in the arrangements between Ottawa and the provinces. Therefore, it seems to me that in any future consideration we should have regard to some element of renewability in that arrangement. Failing an agreement to modify or vary, there should be some satisfactory guarantee of a minimum to the provinces, which minimum ought to vary from year to year, so that budget policies would not be thrown out of line too drastically in any one year.

Let me just draw attention to one other important agency of government, namely, the municipality. Nova Scotia's municipalities, in common with those across Canada, with the limitation of their revenue sources, are almost wholly dependent on property taxation. Property taxes are limited by the taxpaying ability of the owners. As the per capita income of the owners in Nova Scotia is below the national average, the problem of its municipalities is intensified. The extent of the problem is understood when it is noted that of the sums raised within the Province of Nova Scotia by provincial and municipal taxes, the municipalities collect about two fifths. Provincial assistance to municipalities has been proportionately above the Canadian average but necessarily so limited in amount that the level of municipal services generally, with some notable exceptions, has been below the Canadian standard. Here is a problem that faces all who are concerned with securing a truly national standard in essential services.

May I say that we do not seek to shirk our responsibility relating to municipal governments from the point of view of a spokesman on behalf of the province, nor do we seek to interject into this conference a third element, but I merely wish to point out that the solution of our financial relationships as a province with the Federal government carries by implication the fate of the municipalities in any given province.

Finally with respect to fiscal matters, I suggest that there are fields where the Federal government and the provincial governments have common interests and in which joint participation can produce beneficial results. I would hope that apart from any general fiscal agreement, co-operation can continue to exist with respect to those matters of common interest to the Federal and Provincial governments. I refer to such matters as our co-operative efforts in health, education, the Trans-Canada Highway, and so forth.

I have confined myself to a general discussion of federal-provincial fiscal relations as I consider that to be by far the most important item on the agenda. I wish to speak very briefly, however, on three other matters.

With respect to health and welfare services, I listened with interest to the remarks of the Prime Minister and of Premier Frost of Ontario. I wish to say that Nova Scotia will give the most careful consideration to any plan which is proposed. The degree of participation by Nova Scotia, however, in any such plan must depend, of necessity, on the financial ability of the Government of Nova Scotia to finance any further services without imposing abnormal rates of taxation. This is a matter which cannot be disassociated from the general question of federal-provincial financial relations.

The matter of public investment and natural resources development is also closely associated with the economic conditions of the provinces and as I said before the ideal economic condition will exist when the economic development of each province is such as to make the payments of grants unnecessary. I suggest, therefore, in a very broad way, that any plan dealing with public investment and natural resources development should in the first instance be directed to the removal of the economic disabilities of the less favoured provinces.

The agenda provides for consideration of the desirability of establishing a federal-provincial continuing committee. The province of Nova Scotia submitted the following proposition to the Rowell-Sirois Commission:

That provision ought to be made, by way of amendment to the British North America Act or otherwise, for annual conferences to be held at a fixed time between representatives of the provinces and representatives of the Dominion.

The submission went on to say:

The conferences should have a small but efficient secretariat to insure continuity of the proceedings, arrange the agenda, collect data, and perform other like duties. Attendance should not be made to depend upon whether the provinces have particular issues to bring before the conference, but should be regular and as a matter of course. Each conference in some of its aspects at least should be an informal round table where the problems or the difficulties of any province could be brought out and aired informally.

The Province of Nova Scotia now, as it did in 1938, strongly urges the establishing of such a committee.

In conclusion may I say that we have come a long way from the statement in 1867 that "grants shall be in full settlement of all future demands on Canada"

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to the statement of the Prime Minister contained in his letter of January 14, 1955, where he said:

The present government has no intention of abandoning the objective of the tax rental agreements which is to make it financially possible for all the provinces whatever their tax base to perform their constitutional functions themelves and to provide a reasonable Canadian level of provincial services without an abnormal burden of taxation.

Honourable H. J. Flemming (Premier of New Brunswick): Mr. Prime Minister and gentlemen, without intending to make any extended remarks in reply to the fine addresses to which we have listened thus far I should like to make one or two brief observations. The Premier of Ontario has referred, and I think quite properly, to the matter of a possible amendment. At this stage I should like to say that in conformity with what I believed was the decision arrived at by all the Provincial Ministers of Agriculture at Fredericton we did achieve what I believe was mutual agreement on what they wished to recommend to the federal authorities. In that respect I should like to say on behalf of the Government of New Brunswick that we would like to be considered as supporting an amendment.

I find myself in agreement also with many of the things that have been said by the Premier of Quebec and the Premier of Ontario. I do not think any particular benefit would come from making any extended remarks in connection

with these things which will be dealt with as we sit about this table.

On rising to participate in this discussion I wish to express my appreciation, both personally and on behalf of New Brunswick, for the opportunity of meeting with the Prime Minister and Cabinet of our Federal government, together with Premiers and Ministers of all provinces around a conference table from which should come a better understanding of and mutual consideration for, problems of local and general importance to all of us as Canadians.

We in New Brunswick regard this Federal-Provincial Conference as one of unique opportunity in the history of Canada. Hitherto, meetings of this nature have been almost invariably convened under circumstances which were dictated by national emergencies, beclouded by controversies of perhaps dangerous urgency and, in any case, prevented by reason of their setting from seeking longer term solutions and establishing principles which can endure.

We are thankful that the situation as we meet today is in decided contrast to the troubled times which formed the sombre backgrounds of other conferences. Today, we gather during a period of unprecedented economic expansion and at a time, furthermore, when international tensions are less than for a number of years. No doubt many unforeseen dangers lie ahead, and grave political problems underlie the appearance of tranquility. Nevertheless, I would submit that here and now, we who are gathered in this room have been granted a magnificent opportunity to achieve long sought national objectives, and it is in such a spirit that our New Brunswick delegation has come to Ottawa.

At the preliminary meeting on the 26th and 27th of April, an agenda for this meeting was agreed upon, and a preparatory committee was appointed. This committee has had three meetings and has done much valuable work in preparing information and studying suggestions made by various provinces. We in New Brunswick have been giving the matters on the agenda careful and intensive study.

I should like, at this time, to review briefly the views of the Government

of New Brunswick on the items of the agenda.

Fiscal Arrangements

The Government of New Brunswick is in favour of a renewal of the present tax rental agreements; we assume, of course, that the guaranteed minimum would be adjusted upward to the most recent year for which satisfactory statistics are available. Furthermore, the Government of New Brunswick feels very strongly that the tax rental agreement should contain a renewal clause for the protection of the provinces.

The tax rental agreements have been of very great value to New Brunswick, and we believe to the whole Canadian nation. They have simplified the problems of the taxpayer and have also given the Federal government the power to implement the fiscal policies which changing economic circumstances have required. These are very substantial advantages which, for over a decade, have proved to be a most constructive feature in our national life and, in our opinion, should not be lightly abandoned in favour of new and untested devices and expedients.

We should continue to profit by the experience of the years in which the tax rental agreements have been operative. Undoubtedly, much has been learned of their benefit both from a provincial standpoint and from a federal point of view. The element of fiscal control should not be lightly dropped. So to summarize briefly we favour continuation of tax rental agreements with renewal clause for protection of the provinces.

However, experience has indicated that the tax rental agreements do not go far enough to meet the needs of low-income provinces in that they are largely based upon a per capita plan of compensation. We are firmly convinced that these provinces should receive a national adjustment grant to compensate them for their lack of taxable capacity in respect of those sources of revenue remaining to them.

It has seemed to us that the conditions which favour this conference permit a reconsideration of one of the major recommendations of the Rowell-Sirois Commission designed to correct regional maladjustments. In this connection, the language of the Rowell-Sirois report is still eloquently persuasive in regard to the principle of adjustment grants. The following quotation is taken from Chapter V, Book II of that report:

They are designed to make it possible for every province to provide for its people services of average Canadian standards and they will thus alleviate distress and shameful conditions which now weaken national unity and handicap many Canadians. They are the concrete expression of the Commission's conception of a federal system which will both preserve a healthy local autonomy and build a stronger and more united nation.

The Government of New Brunswick urges with all the force at its command that, in addition to the tax rental agreements, there should be adjustment grants to the low income provinces, and we submit herewith a formula*, based on relative per capita personal income which would, we consider, accomplish this purpose in a simple and equitable manner. The formula is as follows:

1. Determine the average amount in dollars by which the per capita personal income of each province falls short of 85 per cent of the capita personal income of Canada for the latest three years for which this information

[Mr. Flemming.]

^{*}Appendix "E".

is available. For the three-year period ending 1954, the difference between the average per capita income of New Brunswick and 85 per cent of the Canadian average is \$241.

- 2. Determine the ratio that the total revenue collected by all ten provinces of Canada and their municipalities from local sources bears to the total personal income for Canada for the latest three years for which this information is available. The attached statement indicates this percentage figure to be 7.81 per cent.
- 3. Determine the population of any province entitled to an adjustment grant for the year in which the fiscal year of the province begins.
- 4. Calculate the adjustment grant by multiplying the amount by which the per capita personal income of the province falls short of 85 per cent of the per capita personal income of Canada (see paragraph 1 above) by the ratio determined in the manner outlined in paragraph 2 above and the population of the province for the year in which the fiscal year of the province begins. Had this adjustment grant been in effect during the current fiscal year, New Brunswick would receive the sum of \$10,523,000 in addition to the amount due under the tax rental agreement.

It is of interest to note that state per capita income has been accepted by the United States Congress as an indicator of fiscal capacity and is a factor in several of the grants made by the Federal government to the States.

Attached to this memorandum is a statement showing the adjustment grants which would have been payable under this formula for the fiscal years 1954, 1955 and 1956 had it been in effect. The formula is for general application and would benefit all provinces whose per capita personal income falls substantially below the Canadian average. Should the per capita personal income of one of the presently qualifying provinces rise relative to that of Canada, the adjustment grant would, of course, be reduced or eliminated.

In concluding my remarks in regard to fiscal arrangements, it will be recalled that I made reference to the special awards which were made by the Duncan and White Commission in 1927 and 1935 respectively. At that time I pointed out that both these Royal Commissions recognized that the Maritime Provinces had valid claims upon the national government because they had received no increases in their provincial areas as had other provinces. Further examination of this matter and an extensive review of the findings of the Commissions referred to have served to convince us that these claims merit review and equitable reconsideration as factors of importance in the readjustment of fiscal arrangements between the federal authority and the Maritime Provinces in particular. Dealing with this matter, the White Commission in their report submitted on February 9, 1935, had this to say, and I quote from page 17 of the report:

It is admittedly impossible to place any definite money value upon these vast accessions of territory, remote and for the most part unexplored as they are, which while they may be, as claimed, potential sources of revenue and advantageous in other ways, also entail heavy provincial expenditures for their administration and development. We feel we can only deal with this claim as to public lands added to other provinces in enlargement of their original boundaries in a broad general way giving it equitable consideration as a factor of importance to be taken into account in reaching conclusions on the whole question of a just revision of subsidies as between the Maritime Provinces and the Dominion.

The territorial accessions gained by other provinces have now become the fields for large capital investments and the exploitation of their natural resources—oil, gas, uranium, iron-ore, gold, base metals, etc.—has become the means of increasing the income of the provinces concerned, as well as of the federal treasury. We hope and we believe that more and more wealth will be discovered in these areas. As Canadians, we are gratified that these developments are taking place but we press for more than just lip service to our moral claims mentioned by the Commission under the heading "Equitable Consideration". Furthermore, awards made on the basis of dollar values existing in 1935 should definitely be reviewed twenty years later in the light of the very great decline in the purchasing power of the dollar.

Continuing Committee

The Government of New Brunswick approves in principle the establishment of a continuing committee along the lines outlined by the Premier of Ontario.

Public Investment and Natural Resources Development

The Government of New Brunswick is of the opinion that a comprehensive system of federal assistance to the provinces for the purposes of natural resources development is essential to ensure the balanced economic growth of the various regions of Canada.

At the present time the Federal government does extend assistance, both financial and otherwise, to the provinces for natural resources development. For example, such assistance is made available under the Canada Forestry Act, the Prairie Farm Rehabilitation Act, and the Water Conservation Act. However, there is no broad programme of federal assistance to the provinces for the development of natural resources which takes into consideration both the differing needs of the provinces and also their differing financial capabilities.

Statistics indicate clearly that the level of economic development in New Brunswick is much below that of Canada as a whole, and that the rate of economic growth in New Brunswick in the period 1945-55 was well below that of the whole Canadian economy. The Government of New Brunswick feels strongly that vigorous action must be taken to decrease the present disparity between the level of economic development in New Brunswick—indeed in the whole of the Atlantic region—and in the rest of Canada.

In addition, it feels that the Federal government should extend generous financial assistance to the provinces and to the municipalities to expand public investment at times when private investment is declining and unemployment is rising above normal levels. Few provinces or municipalities have the financial resources which would enable them to sponsor a suitable public investment programme in the face of declining tax revenues. Such a public investment programme could only be carried out with the generous financial assistance of the Federal government.

Federal assistance to the provinces for public investment and natural resources development can best be considered under the following headings:

1. Projects for which federal financial assistance is required to promote a balanced rate of economic growth in the Canadian economy as a whole.

The Government of New Brunswick proposes that the Federal government should extend financial assistance to the provinces for approved natural resource development projects which are in the national interest. The assistance should take the form of loans to the provinces at low rates of interest. To limit the commitment of the Federal government, the maximum loan which would be extended to any provinces at any one time could be restricted to two hundred dollars per capita. Such a programme would bring great benefits to the Federal government in the form of increased revenues from personal and corporate income taxes.

At the present time, financial assistance for the following resource development projects would be of the greatest benefit to the Province of New Brunswick:

(a) The development of generating facilities for electric power:

The provision of large blocks of cheap electric power is the key to an accelerated rate of economic growth for the economy of New Brunswick. At the present time, normal load growth is increasing at the rate of ten per cent a year compounded. In addition, the exploitation of the province's forest and mineral resources will require a very great expansion in the generating facilities of the New Brunswick Electric Power Commission.

It is anticipated that the 102,000 kw which will be made available by the Beechwood Project will only meet minimum power requirements through to the end of 1958. Most recent estimates indicate that the minimum capital requirements of the New Brunswick Electric Power Commission will be \$136,000,000 for the next ten years. However, if all projected development takes place, the total capital requirements of the commission during the next ten years could reach a maximum of \$297,000,000. Even the financing of minimum requirements would place an enormous strain on the credit of the province. If the Provincial government could obtain this very large amount of capital, the rate of interest at which it could be borrowed would be bound to result in a cost of electric power which would discourage the complete processing of forest and mineral resources within the province. Thus, federal financial assistance for the development of electric power is basic to the development of New Brunswick's principal natural resources.

Before I conclude my remarks regarding electric power, I should like to emphasize that I believe the development of international and inter-provincial river valley systems presents problems of the greatest complexity and should be undertaken jointly by the Federal government and provincial authorities concerned. To be specific, the government of New Brunswick is prepared to discuss with the Federal government the basis on which co-operative action might be taken to develop the full hydroelectric power resources of the St. John river.

(b) The construction of sewage disposal units for the prevention of the pollution of our rivers and streams:

The pollution of the province's rivers and streams has become a serious problem. It has already had serious repercussions on the fishing industry and the tourist trade. However, the construction of the necessary sewage disposal

systems is beyond the financial capabilities of many municipalities. If the province could obtain financial assistance from the Federal government, it could advance funds to the municipalities on reasonable terms which would make it possible for them to construct the necessary units.

- 2. Projects for which the Federal government should assume full respon-
 - (a) The construction and maintenance of roads of national and international importance.

The development of a suitable highway system between the provinces and between important points in the United States and Canada is of the greatest importance to the economic growth of the Canadian nation, and, as such, should be the concern of the Federal government. At the present time, the Province of New Brunswick furnishes all the access highways to Prince Edward Island, Nova Scotia, and Newfoundland. The provision of these highways places a very heavy financial burden on the people of New Brunswick. These highways are of national and international importance and, as such, should be furnished by the Federal government.

The Government of New Brunswick therefore proposes that the Federal government should assume full financial responsibility for the Trans-Canada Highway and, in addition, a like responsibility for the principal roads from the international border to the Trans-Canada Highway system. For example, the highway from St. Stephen, New Brunswick to Sussex, New Brunswick is clearly of national and international importance and should be the responsibility of the Federal government.

(b) The continuation of farm credit policy.

In recent years, there has been a very great decline in the number of people in New Brunswick who are engaged in agriculture. The 1951 census revealed that the average value of New Brunswick farms was 6,067 dollars as compared with 15,200 dollars for Canada as a whole. It is thus clear that the expansion and modernisation of New Brunswick agriculture requires an increased supply of long term capital for the provision of fixed assets.

It is therefore suggested that Canadian Farm Loan Board policy be liberalized in respect to appraisals having regard to forest products as a farm crop, and having regard to the size of farms in this province. It is also recommended that funds should continue to be made available under the Farm Improvement Loans Act with consideration to an extension of the maximum term for repayment.

(c) Canada-United States Tariff Policy Regarding Potatoes.

At the present time, Canada-United States tariff policy is most unfavourable to the continued growth and development of the New Brunswick potato industry. Throughout the year, the U. S. authorities apply a tariff of \$.37½ per cwt. to a quota of two and a half million cwt. of seed potatoes moving from Canada into the United States. Potato imports above this quota are taxed at the rate of \$.75 cwt. However, U. S. potatoes moving into Canada enter duty free except for a period from June 15th to July 31st, each year, when a duty of \$.37½ per cwt. is applied.

[Mr. Flemming.]

The point of view of the New Brunswick potato industry was clearly stated to the Canadian Tariff Board in June 1955. The principles stated at that time have the complete support of the New Brunswick Government. There were:

- (i) That there should be no duty on potatoes moving from the United States into Canada, and no duty on potatoes moving from Canada into the United States.
- (ii) That until such time as the situation stated above is accomplished, there should be a countervailing duty at all times on potatoes entering Canada from the United States.
- (. Projects which the Federal government should be prepared to assist by way of grants so as to expand public investment during a business recession:

In the White Paper on employment and income in 1945, the Federal government stated its policy of expanding public investment during a business recession so as to assist in maintaining the level of economic activity. At the Dominion-Provincial Conference in 1945, the government of Canada, in its proposals, acknowledged that the provincial governments and the municipalities could only expand investment during a business recession if direct financial assistance were forthcoming from the Federal government. However, to date, no agreement as been reached on this matter.

The Government of New Brunswick admits that this matter has been discussed for over a decade that an agreement should now be reached embodying the following principles:

(i) The Federal government to pay one-half of the costs incurred by the provinces and municipalities in planning projects.

(ii) The federal contribution towards the capital cost to be consistent with circumstances and need at the time the project is undertaken.

The following projects could be undertaken in New Brunswick if unemployment rose to abnormal levels:

- (i) The construction of access roads for resources development and the tourist trade.
- (ii) Grants to municipalities for community improvement purposes, slum clearance, traffic diversions, etc.

(iii) Provincial parks.

- (iv) The reconstruction and expansion of the provincial system of highways and bridges.
- (v) Mineral exploration.

Health programme:

The Government of New Brunswick strongly endorses the principle of health insurance. However, provinces with a low per capita income will require commensurately greater assistance from the Federal government than the provinces with a high per capita income. The Government of New Brunswick is willing to carefully examine concrete proposals covering such a program as may be submitted to this conference.

Mr. Prime Minister and Gentlemen:

At the beginning of my remarks, I have mentioned the generally favourable character of the national background as this conference meets and something of my hopes that such a magnificent opportunity may be used to strengthen our Confederation and to unite the Canadian people as never before.

The Government of New Brunswick comes to this conference table representing a province united in its determination to accept no substitutes nor make shifts for the rights of full citizenship in this great and growing nation. Today, in our province, you will find a new spirit of enterprise new capacities a new determination to take our place beside our fellow Canadians on terms of full economic equality. Such ambitions and endeavours have not always been practical for us—but they are practical now! We know that we have resources, which properly developed, can furnish our people with the means to greatly improve our public services and our provincial standard of living as per capita income rises. Through the efforts of the Provincial government, and by the enterprise of our people, we have already made important advances in the improvement of our economy. We are co-operating with private capital and doing everything possible to create the favourable economic situation which can encourage the fuller use of our resources. In fact, everything that government and people can do is being done and will continue to be done; yet, our progress will be slow without assistance—our full development can only come about with financial help from an interested outside source. This interested source should be the Federal government.

We have applied to the central authorities for assistance in electric power development, which is the key to our provincial future; so far without result. We have been led to believe that federal assistance in this respect is contrary to national policy. But we now find that this is not the case. Those listening to the CBC national news bulletin at 11.00 p.m. on September 13th, 1955 heard the announcement that Canada and the Province of Ontario had agreed in principle to jointly finance a portion of the Alberta Natural Gas Pipeline. In order that there shall be no possible chance of misunderstanding, I propose to quote the applicable portion of the newscast.

Agreement in principle has been reached on a plan to have the Federal and Ontario governments jointly finance a major section of the proposed Alberta Natural Gas Pipeline.

We are pleased to note that the Federal government is adopting a new policy of assisting provinces to obtain additional sources of energy for industrial development.

Mr. Prime Minister: New Brunswick expects the principle of joint-financing to apply to us. Certainly we need it. Surely you cannot and will not deny it to us.

The details of the arrangement can easily be worked out between your capable officials and ours who are equally efficient, faithful, and interested.

We in New Brunswick have no quarrel with other provinces—no quarrel with the federal authority. We are not coming hat in hand to this or any other conference table. Yet we know that we represent an important principle, far beyond considerations of area, population and voting strength in its importance. It is the principle of justice and equity and no federation of any kind can survive without it.

The CHAIRMAN: Thank you, Mr. Flemming. Mr. Campbell?

Hon. Douglas Campbell (Premier of Manitoba): Mr. Prime Minister and gentlemen: I believe this is the fifteenth time since Confederation that the provinces have met in formal conference to discuss problems of mutual concern.

[Mr. Flemming.]

From the first interprovincial conference nearly seven decades ago the conference mechanism as a means of dealing with our common problems has become substantially more important and valuable.

Many of the subjects on our agenda today have appeared on the agendas of the meetings attended by our predecessors. Some, perhaps, may interpret this to mean that Federal-Provincial Conferences accomplish relatively little if it is necessary for the same ground to be covered again and again.

This is not the view we hold in Manitoba. We believe that in an economy as dynamic as that of Canada the need for change is to be expected. Accordingly, it would seem to be impossible for any group such as ours to formulate permanent solutions of current problems with any assurance that decisions reached today could reasonably be expected to serve fully future conditions. We think instead that our primary responsibility at this particular time is to seek and to find solutions to our problems which will fit the pattern of development to be followed by our nation in the foreseeable future and which will further strengthen the foundation upon which we can continue to build the structure of Federal-Provincial and interprovincial relationships in later years.

We feel that a most significant circumstance of this meeting is that for the first time in nearly three decades we are meeting under conditions which may fairly be termed relatively stable. The conferences in the 1930's took place during the worst depression of modern times, and were necessarily concerned principally with the problem of alleviating the distressful conditions of that time. The 1941 conference convened under the dominant shadow of the most destructive war in history.

The conference of 1945 was called to plan the future and to forestall recession in the post-war years. Fortunately this period actually saw the greatest prosperity that Canada has known. In 1950 the Korean war was in progress. Consequently the conference held at that time was launched upon a sombre note. The tenor of the introductory remarks of the federal spokesmen was that in view of the danger of war, the cost of Canada's defence programme would continue to mount, and little could be done to improve financial arrangements with the provinces.

Manitoba has been ready and willing at all times to assist in meeting national emergencies. Since the end of the war we have shared in the pride shown by all Canadians in the contribution that has been made by our relatively young country toward the lessening of world tension and the creation of international friendship and security.

We suggest, however, that if the existence of international tension in 1950 was full of sombre implication for federal-provincial fiscal relationships, it would appear that the relaxation of that tension should have the opposite implications at the present time.

We in Canada are joined in a unique federation. In any federalism the relationship between the central government and the provinces or states is appreciably a delicate one. The attainment of fiscal relations resulting in a balance between revenue and expenditure in keeping with the division of constitutional responsibilities requires understanding, foresight and an appreciation of the fundamental difficulties of those areas of our country which have been less bountifully endowed than others. In arriving at a solution, however, it is essential that the autonomy of each province or state be preserved and the rights of minority groups be respected.

Manitoba is in a position to assume a relatively objective view of these matters. Both in terms of geography and of time of incorporation, we might be called a median province of Canada, but our median position goes much further. In recent years the economic growth in our area has been such that we now occupy the middle rung on the ladder of provincial development with our provincial per capita income lying very close to the national average. In a scale of provincial tax potentials, four provinces are above Manitoba and five lie below. From our keystone position therefore we can readily see the problems of the stronger members of our union, but cannot fail to recognize the needs of those less favoured.

There are a number of subjects before us for discussion at this conference and I should like to speak briefly on each of these. It is recognized that the first item, fiscal relations, is a rather broad topic and actually takes in much of what will be discussed under the other agenda points. I propose, therefore, in dealing with this item to restrict my remarks to tax rental agreements and general fiscal arrangements.

Fiscal Relations:

We in Manitoba have been disturbed by reports emanating unofficially from Ottawa in the past several months to the effect that the Federal government was contemplating the abandonment of the tax rental agreements or such modifications of them as would lead to a return to the system of multiple taxation that our people found so unsatisfactory in the pre-war years. This concept is so entirely out of line with the pattern of federal-provincial fiscal relations over the past several years that our government finds it difficult to consider this a serious possibility.

In a group such as this, it would be superfluous to review the background of the tax rental approach to our fiscal problems. The cogent reasons underlying this system of agreements have been forcefully stated on many occasions by federal government leaders. It is of value in placing this matter in proper perspective to quote the federal and provincial objectives of the tax rental agreements as they are stated in the preambles thereto as being designed—and here, Mr. Prime Minister, I will have to repeat something you said this morning. I think all will agree that the sentiments are worthy of repetition, and you and I at least will know that there was no collaboration in arranging our respective briefs. I quote:

- (a) to establish a more equitable system of taxation throughout Canada by reducing duplication of direct taxation and of machinery for the collection of direct taxes,
- (b) to give a greater measure of stability to the revenues of the province in order to enable it more adequately to carry out its responsibilities, and
- (c) to enable Canada, with the co-operation of provincial governments, to carry out fiscal and other national policies intended to maintain high levels of employment and production.

Our government feels that in the tax rental system we have found an uniquely Canadian solution to the problem of the unequal distribution of our resources, a solution based on compromise and experience, a solution well regarded throughout the world. Surely it is reasonable to suggest that the tax rental approach is worthy of further development rather than abandonment.

[Mr. Campbell.]

We would be among the first to admit that the tax rental agreements as they stand are not ideal and that a number of modifications consistent with the fundamental principles of the agreements could advantageously be introduced. For example, there appears to be a need for major revision in the method of determining the basic payment to be made to each province in return for its temporary vacation of the income tax, corporation tax and succession duty fields. Our thinking on this point has explored many diverse directions in quest of the most equitable basis on which rentals should be paid. The Fathers of Confederation in arriving at a basis of computation of the grants to be made to the provinces chose a uniform per capita amount as one of the determinants. This provision is reflected today in the statutory subsidies paid to each province.

We would suggest that this approach be incorporated into the tax rental system and that the basic payment to be made to the provinces for the rental of the three tax fields mentioned above be an amount equivalent to a grant of a certain number of dollars per capita. One method of determining the basic payment might be to make it equivalent to the highest per capita yield that would be obtained by any province if the provinces were to levy their own income, corporation and inheritance taxes at a uniform schedule of rates. The schedule could be equivalent to the tax credits which the Federal government was prepared to allow in the provinces which did not choose to sign agreements.

This modification—using a tax yield concept—has its origin in the tax rental agreements themselves. One of the guaranteed minimum options offered in 1947 involved a percentage of tax yield. Then in 1952 one "minimum" option offered to the provinces was based on the estimated yield of certain tax rates on provincial personal and corporate incomes. Our proposal—in carrying this tax yield concept one step further—is but an extension of a basic principle already embodied in the agreements.

In addition to the basic payment, supplementary provision could be made for extra assistance to less favoured areas. The key point of this proposal lies, of course, in the adequacy of the basic per capita payment. The vastly expanded financial requirements of provincial and municipal governments today are familiar to those present. The growing demands of our citizens for increased services in the fields of health, welfare, education, highways—in fact, in every field of provincial responsibility—have resulted in steadily increasing pressure on the restricted provincial and municipal tax fields. We realize that the needs of the national treasury are important and involve great sums. However, it is only necessary to look at the record in order to see which governments have been subjected to the heaviest financial stress over the past decade.

GOVERNMENT EXPENDITURE* (\$000)

	1945	1955	% Increase
Federal	4,526,710	4,773,065	$5 \cdot 5$
Provincial	383,993	1,504,997	$291 \cdot 9$
Municipal	343.857	1,292,887	$276 \cdot 0$

*Net general expenditure including inter-governmental transfers. Source: Conference Reference Book—Volume I.

It would therefore appear that if provinces and municipalities are to discharge their respective responsibilities in a satisfactory manner, it is essential that these governments have adequate financial resources.

Our province has certain specific ideas respecting the amounts that should be involved but we feel that perhaps these matters might be left until later in our discussions. The point which I would particularly like to make now is that the payments under the tax rental agreements as they stand are not sufficient to meet the requirements of the provincial treasuries. The Federal government has in the past stated that, in view of the heavy defence commitments faced by the nation, it was impossible to offer major increases in the scale of payments under the agreements. However, the lessening of international tension has made possible a decrease in federal expenditures on national defence and it would appear to follow that substantial additional sums may therefore be available to finance our domestic requirements.

PUBLIC INVESTMENT AND NATURAL RESOURCE DEVELOPMENT

Agriculture

It was agreed at our April meeting that agricultural problems and policies would be discussed under the general heading, "Public Investment and Natural Resource Development".

The agricultural problems facing Manitoba today are of such an urgent nature that I propose to speak first about them and then come to a discussion of the development of other natural resources and the subject of public investment.

Our province, after experiencing a series of above average crops in four out of the past five years, is confronted with several problems with respect to its farm economy. The 1954 crop was greatly reduced in yield and was generally of poor quality. As well, substantial areas in Manitoba produced no crop mainly because of excessive moisture and flooding. In 1955 while in most parts the crop is generally of better quality and the yield fair to good, there are still large areas of the province where little or no crop has been produced because of continued wet weather and flooding.

The most pressing problem, however, at this time in Manitoba, and presumably in Saskatchewan and Alberta, is the urgent need for ready cash from the 1955 crop. Because of congested space from the seaboard right back to the country elevators, a part of last year's crop and practically all of this year's crop are still in the hands of the farmers, many of whom have no cash to meet their obligations. It is our opinion that the Federal government should make immediate arrangements for advances on grain stored on the farms. It is also our opinion that the Federal government should institute a policy whereby the producers could earn storage payments on grain held on the farms—such payments to be made on delivery and to vary according to the number of months held.

The need for advance payments to farmers is of such a pressing nature at this time that it is felt that every consideration should be given to whatever steps may be required to meet this need before its effect on the western economy and eventually on Canada's entire economy becomes any greater.

I might say, Mr. Prime Minister, that I think the seriousness of that condition is not generally realized in Eastern Canada up to date.

In ragrad to the long-term problems of agriculture, the Government of Manitoba views with the greatest concern the policies of the United States with respect to the disposal of its surplus agricultural products. Discussions

[Mr. Campbell.]

recently held between the Canadian and American Governments are sincerely welcomed and it is hoped will result in the formation of export policies that will benefit our mutual economies and enable Canada to maintain its traditional markets. We urge that such discussions be continued and request that if these meetings are not successful, the Federal government consider undertaking whatever steps may be necessary to protect our export markets for agricultural goods.

Because the agricultural industry is of such great importance to the Canadian economy, all necessary measures including price supports should be utilized to ensure to that field of national production its fair share of the national income.

Successive declines in net farm income in the past three years have placed agriculture in a serious position in relation to other groups in our economy. Every effort on both the federal and provincial levels should be made to restore agriculture to a comparable position with other groups and to ensure, in so far as possible, continuing stability in that industry.

Our government realizes the great benefits already achieved through federal and provincial policies with respect to water conservation, flood control and land reclamation. We are convinced, however, that long-term planning along these lines is imperative if continuing benefits are to be secured. We recommend that studies be undertaken immediately with the object of providing a permanent solution to Manitoba's acute problem of recurring major floods. It seems to us that regulation of interprovincial and international waters is urgently required to prevent devastating flooding yet conserve water which is so vitally needed in dry seasons. Because the cost of the necessary improvements is certain to be so great and because the lakes and streams concerned are interprovincial or international, we think it essential that this work be done by the appropriate agency of the Federal government.

This year, an intensive investigation into the possibilities of crop insurance was completed by a commission appointed by our government. The report contained the following conclusions:

- (a) that no form of crop insurance now in effect in other countries would be practical on a provincial basis, and
- (b) that the Prairie Farm Assistance Act offers the greatest hope for broad protection to the farm industry against natural losses but that certain changes to the Act are desirable.

Our government is on record as recommending certain changes that would make the Prairie Farm Assistance Act apply more equitably to the different farm areas in the West and would take greater account of the different types of losses experienced in farming. We now urge that a study be made of the Prairie Farm Assistance Act with a view to establishing it as a measure for the long-term protection of the farm industry against losses resulting from conditions beyond the farmer's control.

Other Natural Resource Fields

Coming now to other natural resource fields, we believe that the orderly development of these resources on a national scale can be materially assisted by further federal participation in various plans. Specifically, we urge:

(a) that broader water conservation and control measures be undertaken,

- (b) that the federal-provincial forestry agreements which expire next March be renewed. In our opinion the new agreements should provide for completion of the forest inventory, for joint programmes of fire prevention and for the construction of access roads and other protective and developmental measures pertaining to our forests,
- (c) that, in the mining field, basic geological and geophysical surveys be undertaken on an increased scale by the Federal government; and
- (d) that, as Canada has established in recent years a wild-life service, the Federal government undertake responsibility for research in game and fisheries. This would result in greater economy and efficiency than having each province set up separate research facilities.

Highways

Highway expenditure leads to natural resource development and is certainly a major item of public investment. Manitoba appreciates the substantial federal contribution toward the construction of the Trans-Canada Highway. The beneficial results are already apparent in the western provinces where local citizens and American tourists are now using the Canadian route in preference to the northern United States route.

The end of the Trans-Canada construction task is now in sight, but in the national interest road investment must remain at a high level if this country is to develop and prosper. It is the view of our government that a substantial part of the large proceeds from federal sales and excise taxes on automotive and petroleum products should be made available in the form of grants toward the cost of providing the following types of improved road facilities:

- (1) highways essential to national defence requirements,
- (2) interprovincial and international roads facilitating the interchange of commerce and tourist travel, and
- (3) roads giving access to mining, forest and other natural resource development areas.

Capital Investment

We feel that one of the most important factors contributing to the prosperity of Canada in the past several years has been the high level of capital investment. Because the subject of capital investment will be equally important in the years to come, we think separate attention should be given to measures to promote and stimulate worthwhile capital expenditures generally.

Over the past five years, the provinces and municipalities between them have been spending nearly a billion dollars per year on capital projects of all kinds. The Federal government has been spending perhaps half this amount annually. It is noteworthy that, in these post-war years of prosperity, the indebtedness of the provinces, municipalities and their agencies has risen from \$2.977 billion in 1945 to \$5.715 billion in 1953—an increase of 92 per cent, while the Federal government debt has actually been reduced from \$18,438 billion to \$18.276 billion.

As Canadian citizens, we are, of course, pleased to find that the national debt has been reduced. It should not pass unnoticed, however, that while the national debt has been diminishing, the aggregate indebtedness of our provinces

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and municipalities has been increasing at an alarming rate. In short, the Federal government with the largest and most secure revenue base, with the cheapest interest costs, and with the control of currency, credit and banking arrangements under its sole jurisdiction, has decreased its debt over this period. On the other hand, the provinces and municipalities, being restricted to narrower revenue bases and having no control over national banking or credit, have annually been going more deeply into debt to meet their capital needs.

So much for the past: the requirements of the future appear to be even more challenging. Manitoba and some of the other provinces have made surveys indicating that over the next five years Canada's provinces and municipalities may be required to spend for capital projects approximately \$1.8 billion to \$1.9 billion per annum.

I have already pointed out that in the past five years provincial and municipal governments have been spending nearly one billion dollars per annum on capital projects. It now looks as though the next five years may well see a doubling of provincial and municipal capital expenditure. From the figures available for recent years it appears that more than 50 per cent of the costs of new provincial and municipal investment has been financed by borrowing. For example, in 1953 capital expenditure of \$1.064 billion drove provincial and municipal debt up by \$559 million. Provincial and municipal debts rose from \$2.977 billion in 1945 to \$5.715 billion in 1953. This is the record of the period when our public investment requirements were less than half of those foreseen for the immediate future. This gives rise to the grave question of how the provinces and municipalities can hope to support much greater indebtedness in the next few years—an indebtedness which may well reach about \$10 billion by 1961.

There are ways in which the Federal government can alleviate this problem. For example, in the United States the bonds of state and municipal governments are exempt from federal taxation. This immediately develops a special market to provide the capital for state and local financing. As a result, the interest costs for American state and local government borrowings amount to less than half the costs for equivalent borrowings in Canada. Another result of this policy is to make it possible for American municipal and state governments to carry twice the load of debt that can be carried by their Canadian counterparts.

A reactivation of the unrepealed Federal Government's Municipal Improvements Assistance Act which currently lies dormant would provide many municipalities with credit not now available to them and would permit them to borrow at lower interest costs. Through a broadening of the provisions of this Act, school districts could be greatly helped in meeting heavy capital expenditure programmes. One cannot emphasize too strongly the fact that many small municipalities throughout Canada are virtually denied credit because of their size or because they are not well known to those in control of the investment funds of the nation. We believe that there is an inconsistency in the fact that while Canada encourages the rapid growth of communities through the National Housing Act, the major load of financing the services required by the homes built under the auspices of this Act devolves upon the municipalities.

This leads us further into the general subject of municipal assistance. While realizing that municipalities are essentially creatures of the provinces, our government believes that municipal governments play such a vital role in the life of the nation that consideration should be given to the impact upon municipalities of the decisions reached at this conference.

Our modern way of life makes demands today on local governments that could not have been foreseen at the time of Confederation. Not only are municipalities responsible for services such as local highways, drainage, police and fire protection, sewer and water installations over which they have control, but they are also partly responsible for services such as education, health and welfare over whose growth they have little or no control.

Although the Manitoba Government and, we believe, other provincial governments have helped the municipalities to the limits of provincial budgets, we feel that further assistance needs to be extended to avoid too high a level of land taxation. Real property taxation, if carried too far, could seriously undermine the economy of the nation. As methods of assisting municipalities we recommend:

- (a) the re-establishment and widening of the Municipal Improvements Assistance Act as previously suggested;
- (b) more generous treatment of municipalities by the Federal government with respect to grants in lieu of taxes on federal property; and
- (c) any federal action that might help the municipalities directly or that would enable the province to further help the municipalities so that the tax load on real property might be kept at a reasonable level and the municipalities might be able to continue giving the high standard of services expected of them in modern society.

The foregoing sets out several of the problems we are facing in Manitoba. No doubt they are indicative of the kinds of problems faced by all provinces in varying degrees. Yet every one of these problems is but incidental to our main task of developing the fields of agriculture, natural resources, transportation, power, civic improvement—in fact all the things that contribute to the wealth of the nation and the well-being of our citizens. Proper solutions require manpower and materials. This means money—money both for current annual expenditure and for long-term capital works, much of which will have to be borrowed. We believe that the 1945 federal public investment proposals have as much to commend them now as they had ten years ago. The hard fact of the matter is that the costly work lying ahead for the provinces and the municipalities deserves the most serious attention of our three spheres of government in order that the provincial and municipal governments throughout Canada will not become hopelessly burdened with unmanageable debt.

Shared Cost Programmes

While we are not unappreciative of the aid being granted to the Province under the Federal government's shared-cost programmes, we have certain reservations respecting the present policy.

[Mr. Campbell.]

The number of these programmes now shared by the Federal and Provincial governments is impressive—for example:

In the field of health and welfare:

Venereal disease Cancer control Hospital construction Laboratory and radiological services Hospitalization of indigent immigrants Rehabilitation of disabled persons Old age and blind persons assistance Civil defence

In the field of education and labour:

Vocational training Apprenticeship training

In the field of public works:

Trans-Canada Highway

In the field of agriculture:

Farm labour service 4-H Clubs Soil erosion and water control

In the natural resource field:

Forest Inventory Nurseries Fur development

In our fiscal year 1954-55 these programmes involved expenditures amounting to more than \$8,500,000. For the year in question this figure represented an amount equal to 15 per cent of Manitoba's budget.

It is true that no province is obliged to participate in the shared-cost-programmes. However, the offer of such a programme by the Federal government and its adoption by some provinces tend to place the remaining provincial governments in a position where they can hardly refuse to participate even though such participation may cause a heavy drain on their financial resources. It is therefore recommended that when the Federal government is planning an expansion of any existing jointly-sponsored programme or the introduction of a new one, the provinces should be given an opportunity to present their views on the new proposals before any announcement of the contemplated programme is made.

Unfortunately it has also been demonstrated that when these joint programmes are in operation, the Federal government may withdraw its support without prior consultation with the provincial governments, as happened in the case of the physical fitness programme. Withdrawal without prior notification leaves the provinces in the unhappy and difficult position of having to choose between carrying the programme concerned entirely out of their own resources, or alternatively cutting off services to which their people have become accustomed. Therefore we urge that shared-cost programmes be established, altered or discontinued only after close consultation with the provinces.

One programme, presently on a shared-cost basis, which we feel should a completely federal responsibility is civil defence. In our view, and we believe we are supported in this by the provisions of our constitution, the matter of defence in all its phases is one of federal responsibility. We do not see why any of the costs involved in this activity, or responsibility for its administration, should be borne by either provincial or municipal governments.

HEALTH AND WELFARE SERVICES

Federal Health Grants

With respect specifically to the national health grant programme, consideration should be given to the establishment of these grants on a more permanent basis than that presently existing. The limited annual forward commitment of this grant system results in serious difficulty for the provinces in the planning of provincial budgetary requirements.

Health Insurance

The various reports regarding health insurance issuing from the national capital and from some provincial capitals have aroused much interest in Manitoba. We are most anxious to co-operate with Canada and our sister provinces in the fullest consideration and discussion of plans respecting national health insurance. In our view it is particularly fitting that the question of national health insurance be discussed at the same time as the matter of general financial arrangements, for the implementation of any such scheme—having as it does such tremendous implications for the various provincial treasuries—would, of course, require recognition in any agreement which may be reached on fiscal arrangements.

Education

On the subject of education, it is our conviction that equal educational opportunities should be available to all Canadian children, regardless of the economic circumstances of individual provinces. Attainment of this objective is almost impossible without some form of federal assistance. We believe that such assistance can be given without encroachment on provincial constitutional rights. General grants could be made without restricting the manner in which the grant was to be applied by the province other than to stipulate that it must be used for educational purposes. In addition certain fields lend themselves admirably to federal assistance.

Manitoba feels that the present system of federal grants to universities works to the comparative disadvantage of provinces with relatively low populations but high university enrolments. This assistance would be on a more equitable basis if the grant were to be paid at a set rate per enrolled university student. The aid given would then be more commensurate with the size of the task being performed. Assistance given in this field might well be greatly extended, because it can be truly said of universities that their function is, in the broadest sense, national in scope, and to a certain degree, international.

Canada's expanding economy demands increasing numbers of technically trained persons. They contribute not only to the growth of Canada's industrial potential, but also to the maintenance of our national defence. Increased federal support is essential to the continuation and expansion of adequate facilities for technical and vocational training.

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The Government of Canada has already recognized and assumed certain responsibilities in the field of rehabilitation of the disabled. The scope of this federal assistance should be expanded to include the education and training of children who are crippled, deaf, blind or mentally retarded. If properly trained in earlier years, such children can become useful adult members of society. However, because their education is more costly than that of normal children, this special training in many cases is either neglected because of cost or must be carried on through the diversion of funds badly needed for the regular educational programmes of the provinces.

OTHER SPECIAL CONFERENCES

On the subject of other conferences, we believe that at least every five years we should meet together to review the progress made and new developments in the field of our mutual fiscal and allied arrangements.

Furthermore, in our view it would be desirable to reconvene the Constitutional Conference of Federal and Provincial governments. You will recall, Mr. Prime Minister, that Manitoba's representatives raised this question at the April agenda discussions. Some progress has been made at meetings already held and it seems likely that further agreement would be reached if we continued our discussions in the friendly and co-operative atmosphere that has characterized previous gatherings.

Apart from the central theme other questions of interest to Canada and the provinces could, in our opinion, be more properly considered at a constitutional conference than at present when we are meeting primarily to deal with fiscal and related matters. Two examples might be mentioned: firstly, daylight saving time; and secondly, uniform minimum voting ages throughout Canada and the provinces. We feel sure that both of these subjects have received considerable attention in parliament and in the legislatures of other provinces as they have in ours. Though it is proper that each jurisdiction should have authority in these matters it seems to us that here are two areas where Canada and the provinces should have little difficulty in arriving at a high degree of uniformity—with the likelihood that agreement on such comparatively minor questions would encourage further co-operation on major issues.

UNEMPLOYMENT ASSISTANCE

Notwithstanding the conferences already held on the important subject of unemployment assistance, no final agreement has yet been reached between Canada and Manitoba. In our view, the differences of opinion still existing between our governments on this question require further consideration and warrant discussion at our meetings this week.

Conclusion

Mr. Prime Minister, in preparing this brief the Manitoba Government has been guided by a principal concern—to outline some of the serious provincial-municipal problems and those of our citizens generally in order that this conference would be able to decide on helpful, co-operative solutions. We have suggested several programmes large and small which we believe warrant federal participation.

We realize clearly, however, that many of the shared-cost and grant plans now in existence and presently being asked for would be unnecessary if the provinces were to secure a sufficiently adequate share of the great income tax fields. We have noted that federal defence costs are declining in terms of absolute dollars, but we think it more important to note that those costs are declining even more rapidly relative to our expanding national economy. This means that major federal expenditures are on the decline while those of provinces and municipalities are still increasing rapidly. This year some small federal tax reductions principally in income tax fields were estimated to reduce revenue by \$207 million annually. With the year's growth in the gross national product, however, it appears likely that this reduction will be cut sharply or even vanish. Those tax reductions were designed to stimulate our economy, an indication that it is essential that the Federal government keep control of the vital and sensitive income tax fields. This control is also needed in emergencies of all kinds and our experience seems to suggest that Canada lives as often in crisis as in normality. We think, then, that the constructive approach to federal-provincial fiscal problems is to substantially expand the federal tax rental payments in the order of \$200 million to \$300 million a year. Further, if we are to rid ourselves of some of the clutter, uncertainty and inevitable interference of the many shared-cost programmes, then the tax rental payments should be increased by an additional \$100 million to \$150 million annually. Having won our way to the simplicity, economy and efficiency of relatively uniform income taxation throughout the nation, let us not return to the tax jungles of the twenties and thirties. trust that over the next few days this Conference can achieve harmonious and progressive solutions to our many mutual problems.

The Chairman (Mr. St-Laurent): The Premier of British Columbia.

Hon. W. A. C. Benett (*Premier of British Columbia*): Mr. Prime Minister and Gentlemen, British Columbia welcomes the opportunity afforded by this Conference to meet with the representatives of the other provinces and of Canada to participate in the discussions on our common problems as Canadians.

The history of the Canadian Confederation is the record of the progress which a nation can achieve when all its parts work harmoniously together. I am, therefore, pleased to bring to this Conference the traditionally co-operative approach of British Columbia to matters affecting our national welfare.

In the agenda conference held last April, and in the results arising from the meetings of our technical advisers in the interval, we see the promise of better working arrangements between the governments of this country. British Columbia offers full co-operation to this end.

The Government of British Columbia addresses itself to the matters before this Conference, mindful of the fact that when we speak of the problems associated with our national development and the constitutional role assigned to the provinces, we are dealing at the same time with matters of major importance to the municipal governments of Canada who must look to their respective provincial governments for co-operation in the solution of their municipal problems. We therefore approach the proposals before this conference in the light of their probable effects not only in the fields of the Federal and Provincial governments, but also in the very important sphere of municipal government.

[Mr. Campbell.]

It is the purpose of this Conference to discuss matters of major concern both to the Federal and Provincial governments of Canada and to reach decisions thereon which will enable these governments, acting either jointly or within their respective spheres of authority, to discharge their responsibilities in promoting the general welfare.

This is the third Federal-Provincial Conference of its kind since 1941, when the requirements of war financing and national security compelled a fixed-price rental agreement with respect to provincial income-tax fields.

A Conference on Reconstruction held in 1945 having failed to reach agreement on broad matters of national concern—including public investment and social security—was followed by revised tax-rental agreements with individual provinces. It was, however, understood at that time that as soon as a sufficient number of provinces had signed such agreements, another conference would be called in an endeavour to implement the social security and public investment proposals. Such a conference was not called.

The 1950 Conference was, in effect, limited to a discussion of the renewal of tax agreements on a slightly modified basis for the five-year period ending on March 31st, 1957.

It is important to note that national consideration governed the terms of each of these agreements: First, the war; secondly, post-war rehabilitation and reconstruction, as well as the fear of an economic depression; and, thirdly, the uncertain and threatening situation created by the Korean War.

The Province of British Columbia is gratified that international tension has eased and that the present Conference is, therefore, in a position to consider federal-provincial agreements reflecting more equitably the rental value of the provincial tax fields over which Canada has exercised sole domain for many years, as well as matters of broad social and economic policy. Included in the latter are public investment and a health programme which are of particular concern to this province, in the light of its rapidly growing population, its tremendous economic expansion, and the problems affecting its further growth.

This Province is conscious of the serious and costly problems which still confront Canada. The growth and development of British Columbia are of great economic value to the nation and should be stimulated to the greatest possible extent to augment the national income. The requirements of that growth and development, however, make it mandatory that sufficient revenues be available to the province and its municipalities, not merely for the provision of current services, but also for their proper participation in public investment and in the expansion of social services.

Accordingly, British Columbia submits that the matters before this Conference should be discussed in the following order:

- I. Tax Arrangements
- II. Public Investment
- (a) Arterial Highways
- (b) Pioneer Roads
- (c) Conservation of Natural Resources.
 - III. Health Programme
 - IV. Municipal Borrowing
 - V. Continuing Committee

1. Tax Arrangements

The constitutional rights of the Provinces and of Canada to levy personal and corporation income taxes and succession duties are unquestioned. The exercise of these rights for either provincial or national purposes, however, requires review.

The expansion of the national economy has imposed upon the provincial governments responsibilities for the provision of services and the development of resources which involve constantly increasing expenditures. To discharge their constitutional responsibilities, particularly with respect to the accelerated development of their natural resources, the provinces require a larger return from the revenue yielded by the direct tax fields presently rented to the Federal government.

British Columbia therefore reiterates, for the consideration of this Conference, the following alternate proposals with respect to personal and corporate income taxes and succession duties:—

First Proposal—British Columbia's first proposal is the joint occupation by the Federal and Provincial governments of the fields of personal and corporate income taxes and succession duties, with the Federal government as the sole collecting agency. Subject to appropriate reductions in federal rates, it should be agreed that federal legislation with regard to the determination of net taxable income and the graduated income schedules be identical for the federal and provincial rates respectively, thus ensuring simplicity in administration and the prevention of duplication.

This proposal requires that Canada reduce its personal and corporation tax rates at least to the extent provided in the Tax Suspension Agreement of 1941; that is, "by such an amount as will enable the provinces again to use the income tax and corporation tax fields, and in particular the Dominion undertakes to reduce its rates of taxation on corporation incomes by at least 10 per cent of such incomes".

To British Columbia the provincial rates required to yield a return equal to that which would be produced on the basis of present application of 1941 rates would be as follows:—

- (a) For personal income tax, a graduated scale which would yield to British Columbia an average of 2 per cent on the reported gross provincial personal income within the province for present federal income-tax purposes. This graduated levy would approximate a flat 4 per cent rate on net taxable income:
- (b) A corporate income tax of 10 per cent of net taxable income:
- (c) Provincial succession-duty rates equivalent to not less than 50 per cent of present federal succession-duty rates.

This proposal could be supplemented by fiscal aid to provinces having a low tax potential, but all provinces would be subject to federal tax rates as adjusted from time to time by parliament for general purposes.

Under this proposal the Department of National Revenue would act as the agent of the province in the administration of the law and the collection of taxes. Taxes collected on behalf of a province would be paid to that province at least quarterly. It must be reiterated, however, that this proposal contemplates such a reduction of federal tax rates as will permit joint occupation of these tax fields on the basis outlined.

Alternate Proposal—The alternate proposal submitted by British Columbia is a tax rental agreement similar in nature to the present agreement, but based on a fair and realistic measure of tax potential to determine the minimum rental fee. This proposal would be supplemented by fiscal aid to those provinces with a low tax potential; the provinces would continue to be subjected to federal tax rates as now applied or as adjusted from time to time by parliament for general purposes.

Special Case—Should a province elect to levy and collect its own taxes at rates under conditions different from those suggested herein, it is submitted that Canada should provide for compensatory allowances or deductibility to the level recommended in the first proposal to minimize excess tax burdens.

Deductibility of Royalties—British Columbia has submitted that provincial taxes on net income from mining and logging operations, which are recognized by Canada as a royalty, be made deductible from the federal income tax, and that like levies on net income from natural-gas and petroleum operations should be similarly deductible. British Columbia recommends that the Conference adopt this proposal.

Taxation of Power Corporations—Canada now pays to the provinces 50 per cent of the amount received from the corporation income tax paid by corporations which derive their income from the generation or distribution to the public of electric energy, gas, or steam where this is the main business of the corporation. British Columbia recommends that Canada should now vacate this tax field in favour of the provinces and recommends that this Conference agree in principle to this proposal.

II. Public Investment

British Columbia submits that the Federal government should participate jointly with the provinces in investment in capital projects directed to the expansion of the productive wealth of Canada. Such public investment is a capital expenditure warranted by the return which will accrue both to the nation and to the province.

(a) Arterial Highways

The further economic development of Canada is in large part dependent upon the provision of adequate transportation and communication. For a long time transportation meant rail and water facilities and involved large-scale public investment by Canada. However, arterial highways have now become increasingly important to national development and communication, and have in many cases superseded transportation by rail and water. Without a system of first-class arterial highways to supplement the main access roads into economically useable natural resources, competitive resource development is impeded. Arterial roads are now a prerequisite to development and settlement.

While roads are constitutionally a provincial responsibility, the Government of Canada has recognized that highway construction has become a matter of national concern. In 1919, under the "Canada Highways Act", the Federal government provided twenty million dollars in grants to the provinces for the construction and improvement of roads. In 1949 the "Trans-Canada Highway Act" authorized the Federal government to enter into agreements with the provinces to share in the cost of construction by the provinces of the connecting links of the Trans-Canada Highway. Under these agreements the Federal government shares to the extent of 50 per cent of approved costs.

British Columbia submits that highways which serve to develop the country and thereby add to the gross national product are now matters of national concern and should be financed jointly by the Federal and Provincial governments; that participation by the Federal government should not be confined to the Trans-Canada Highway but should also be extended to an approved main trunk highway development programme in the provinces; that federal participation should be based on a formula which will make allowance for topographical and other conditions which contribute to higher construction and maintenance costs and to a larger road mileage; and that the "Trans-Canada Highway Act" be amended to provide for a retroactive increase in the federal share of the costs based upon the said cost differential.

British Columbia recommends that this Conference agree in principal to this proposal.

(b) Pioneer Roads

In addition to federal financial participation in the construction of main trunk highways, it is submitted that federal assistance to provide new access roads to undeveloped mining and forest resources is essential. At the Dominion-Provinical Conference on Reconstruction in 1945, the Federal government offered to enter into agreements with the provinces to provide such assistance. The importance of pioneer roads to areas which require to be opened up, whether for settlement or for the development of resources, cannot be overemphasized. Considering the economic and financial interests of the Government of Canada in the conservation and development of the basic resources of British Columbia, it is submitted that the province is entitled to substantial federal assistance for the construction of pioneer roads.

(c) Conservation of Natural Resources

The economy of British Columbia, like that of some other provinces, is almost wholly dependent upon the development of its natural resources. The sale of its natural products in their various forms in the markets of the world is an important contributing factor to the national income of Canada and to federal revenues; in fact, by far the major portion of the revenues from the exploitation of provincial natural resources is paid to the Federal government. It is therefore in the national interest that these resources, particularly of forestry and agriculture, be conserved and protected.

Accordingly, British Columbia recommends that this Conference agree in principal that the Federal government will share equally with the provinces in the costs of conservation of their basic resources. It further recommends, with respect to agriculture, that the provisions of the "Prairie Farm Rehabilitation Act" be broadened to include agricultural reclamation, irrigation, dyking, drainage, erosion-control, flood-control and land-clearing and be made applicable to the Province of British Columbia.

III. Health Programme

In 1945 the Federal government proposed to the Conference on Reconstruction a national health programme including medical, hospital, dental and pharmaceutical services. While no agreement was reached at that Conference, such a programme has become a matter of major concern to the people of Canada. While it is recognized that provision for the sick and the attitued and approach

[Mr. Bennett.]

toward such a health programme vary in different provinces, the Province of British Columbia is of the opinion that the time is opportune to introduce a national health programme.

British Columbia recommends that any province which is willing to participate in a health programme should not be retarded by the refusal of others to participate. The Federal government co-operated with the provinces on this basis when old age pensions were originally introduced; it shared in the costs with the agreeing provinces. It has followed the same principle in other matters, including the present health grants, and, since the first session of this Conference, in the matter of unemployment relief, on which agreement has now been reached in principle on the basis of a formula which further takes cognizance of the differentials in relief payments among the provinces.

Accordingly, British Columbia recommends that this Conference agree in principle upon the desirability of a health programme adaptable to the requirements of the individual provinces; that such a plan make provision for medical, hospital, dental and pharmaceutical services; and that the Federal government share equally in the costs of such health programme to the extent that they have been or may be adopted by a province to meet its special requirements.

I can't help noting here, Mr. Prime Minister, that in the original submission by the national government, the federal offered to participate on a 60 per cent basis. Our Province, being always fair, say we will now enter into a programme on a 50 per cent basis with the national government.

IV. Municipal Borrowing

Having regard to the urgent need for capital improvements in municipalities, and to the retarding effect of high interest rates on such public investment, it is recommended that consideration be given to improved credit facilities which will make possible municipal borrowing at low interest rates.

V. Continuing Committee

British Columbia recommends that a fact finding and consultative continuing committee of technical officers of the Federal and Provincial governments be appointed to pool information; to discuss and examine fiscal and economic problems or trends; and to prepare such memoranda or reports as the Prime Minister of Canada and the Premiers of the Provinces in conference may request.

Mr. Prime Minister and gentlemen: All conferences between the Federal and Provincial governments of Canada have been important. This Conference, being held in the eighty-eighth year of the Canadian Confederation, may well emerge in history as one of particular importance because, in our examination of the use being made of our fields of taxation and our study of other proposals for promoting the national well-being, we shall be considering the basic conditions which will determine the extent to which the provincial and municipal governments of Canada will be able to assume and to discharge their obligations and responsibilities in the development of Canada. If we find workable solutions for this problem, this Conference will have lasting beneficial effects on the future of confederation.

The Chairman: Thank you. Gentlemen, what are your wishes as to continuing until six o'clock? No social arrangement has been made for this 64003—6

evening, and some have asked whether it would be convenient to continue for a couple of hours this evening. My reply was that it would be decided by the gentlemen sitting around the table.

We have now been sitting for nearly three hours. We could continue for another half hour until six o'clock, or we could adjourn now and resume at a convenient hour this evening. What is the convenience of you gentlemen?

Mr. Manning: If we are to sit this evening, it is perhaps just as well to adjourn now.

The Chairman: If it meets the convenience of you gentlemen, we will adjourn now and resume this evening at eight o'clock.

The Conference adjourned at 5.20 p.m.

EVENING SESSION

The Conference resumed at 8.00 p.m.

Rt. Hon. L. S. St-Laurent, Prime Minister of Canada, in the chair.

The Chairman (Mr. St-Laurent): The Premiers of Alberta and Newfoundland told me they would be a little late, and they asked us to proceed even before their arrival, if that is convenient. I shall now call on Mr. Matheson.

Hon. A. W. Matheson (Premier of Prince Edward Island): Mr. Prime Minister and gentlemen, before proceeding to read my prepared text I should like to make brief reference to some questions mentioned this morning and this afternoon by others. I refer to items of particular interest to the Province of Prince Edward Island.

Premier Frost asked for an amendment to the Agricultural Prices Marketing Act. The Government of Prince Edward Island is definitely interested in such amendments. In 1952 the Supreme Court of Canada ruled that a levy on potatoes, under the Prince Edward Island Potato Growers Marketing Scheme, was invalid. This ruling has practically wrecked the Prince Edward Island Potato Marketing Scheme. I do hope that some changes can be enacted so that licence fees and pooling of returns can be made valid.

Premier Flemming made reference to the northern lands given to provinces other than the Maritime Provinces. Mr. Justice Arsenault, a retired justice of our Supreme Court and a former Premier of Prince Edward Island, told me a few days ago that he heard Sir Lomer Gouin, then Premier of Quebec, say at a Feedral-Provincial Conference that if the northern lands ever became a source of revenue to the provinces concerned, then the Maritime Provinces should receive adequate compensation.

Those lands for years have cost the provinces concerned large sums of money. I fully appreciate the stand taken this afternoon by the Premier of Quebec when he referred to the cost of natural resources development, paid for by the people of his province. I am sure that the capital cost should be repaid in full. It must be remembered that these northern lands belonged not to the people to whom they were allotted but belonged to the people of all of

[Mr. Matheson.]

Canada. I do hope that the provinces who helped develop the lands get proper repayment, but I would also expect that revenue derived over and above the cost of the development be assets of the people of all of Canada and not of the provinces who received the extra crown lands.

At the preliminary Conference held on April 26, 1955 it was agreed that the first subject that should be included on the agenda was that of future federal-provincial fiscal relations, the consideration of which would involve the question of extending the tax-rental agreements or replacing the same with a more suitable alternative arrangement.

Apart from other aims, such as eliminating double taxation and equalizing, as far as possible, the varying financial capacities of the provinces, the taxrental agreements were intended to place the provincial governments in a position to carry out their constitutional functions efficiently and independently, and to enable them to plan a programme of service and expenditure over a period of five years with the assurance of a guaranteed minimum payment from the Federal government.

With the expiry of the present tax rental agreement on the 31st of March, 1957, we should take under consideration, not only the problem of fiscal relations by way of tax agreements, health and welfare services, public investment programmes, but also education, having due regard to the experience of the past five or ten years and the requirements of the years ahead.

Prince Edward Island is both willing and anxious to do everything possible to assist the Federal government and the other provincial governments to expedite this task and to bring it to a satisfactory conclusion for all concerned. We approach this task in the spirit of co-operation, anxious to assist in promoting the general welfare of the people, but we are also determined, having regard to our own financial resources, to seek the means of improving the standard of living and the welfare of our own citizens.

At the meeting held last April we were in accord with the suggestion that fiscal and taxation problems, as well as the financial arrangements between the Federal and Provincial governments, should receive primary consideration. It is essential that some satisfactory basis for the apportionment of the tax dollar be concluded at the earliest possible date, so that governmental policy, on the ever growing list of public services, can be determined or projected with some degree of certainty and consistency for the ensuing years.

In order to carry on satisfactory as autonomous areas within the federal framework, we think it is axiomatic that some certainty as to the sources of provincial revenue should be limited and defined in order to carry on the governmental functions assigned to the provinces under the British North America Act.

Social Security matters, even in the limited manner which our government has undertaken them, have placed an undue strain upon our resources and the possibility of future curtailment presents a problem of fundamental concern.

Public Investment and capital expenditures on matters relating to health services, highways, agriculture and resources development, add further burdens to the servicing of our public debt.

Capital expenditures on matters relating to health services, highways and agricultural development are additional burdens to a province such as ours, without public lands and mineral resources and whose basic economy depends

on agriculture and fisheries for continued existence. Transportation, or the lack of an adequate transportation service, adds to the disabilities under which we suffer.

The migration of our youth has resulted in a much greater proportion of persons in the young and old groups than the national average, while for the inbetween ages the ratio on Prince Edward Island is considerably below the all Canadian figure. The latter reflects the exodus from the province of workers in the prime of life. By their departure the province loses not only the most efficient type of worker but also the progressive ability important to further expansion of domestic industry and enterprise. Their loss reduces, too, the taxable capacity of the province, a fact which is all the more serious in view of the large proportion which the dependent groups—the children and the aged—constitute of the total population.

The chief source of provincial funds in the past has been federal subsidies. The increased expenditure proposed for the future would appear to make it still necessary as the chief source. This is due to the fact that for some reason or reasons, on which economists agree, the industry of agriculture fails to be a good source of revenue. Hence, those areas or provinces dependent most largely on the industry of agriculture find it ever harder and harder to provide necessary public funds by taxation.

We feel the basis for any satisfactory financial arrangement between the Federal and Provincial governments must make possible, at least an adequate average Canadian standard of services in each province, without limiting in any way the right of any particular province to set-up such higher standard as its own resources may permit.

The costs of providing essential provincial and municipal services in the primary producing areas are excessively high in relation to the revenue produced by any given level of taxation. To a large extent these services are provided to persons engaged in nationwide industries which are so organized that the revenues collected from taxes imposed upon them tend to be concentrated in certain large centres, frequently located in taxing jurisdictions, other than those in which the government services are provided.

It must be borne in mind that the organization of business and concentration of wealth in certain provinces enables those provinces to enjoy the opportunity of taxing incomes and wealth derived from other provinces. The latter for that very reason have lost the jurisdiction to derive any public revenue from the income and wealth which it has helped to create. Therefore, provincial revenues must be supplemented by a reasonable distribution of the national taxation in order that governmental services may be provided in every province without imposing an undue burden on the taxable capacity of those provinces below the national average.

Although we favour the continuation of the principles underlying the existing financial agreements, we feel that under the present formula we are not receiving a fair or adequate share. Our submission will indicate the necessity of and the right to substantially increased federal assistance for the public services which the province has undertaken, and in many cases pursuant to policies promoted by the Federal government, which we were obliged to adopt.

We are under no illusions as to the part that certain national policies have played in the concentration of national wealth in certain areas. We do not criticize these policies, but if trade, commerce, the tariff, and monetary policy are to

[Mr. Matheson.]

be dealt with nationally, the nation should see to it that the citizens of no area fall below the national average in the matter of social and educational services.

If I may digress, I will give an example of how the national policy works to the disadvantage of Prince Edward Island, and make reference to the matter which the Premier of Quebec mentioned this afternoon—that is, potatoes. Prince Edward Island ships three-fifths of the Canadian total of export of potatoes, and the disadvantage is clearly shown by the present tariff agreement between Canada and the United States which provides that potatoes entering United States are liable to a substantial tariff throughout the entire year while United States potatoes enter Canada duty free for more than ten months.

This tariff arrangement forces us to sell in a protected United States market or an unprotected Canadian market while on the other hand we buy machinery and supplies from central Canadian manufacturers who receive substantial tariff protection.

The Sirois Report took the position, which we endorse, that the proceeds from the income taxes, corporation taxes and succession duties are not the wealth of the provinces, but the wealth of the nation and should be distributed so as to make possible a minimum standard of public services throughout Canada.

In 1946 we accepted the tax-rental agreement offer, not because it represented some recognition of fiscal need but with a hope that during the lifetime of that agreement a more satisfactory formula would be devised. In 1952 the Federal government proposed a new guaranteed minimum payment based on the one allotted to a province under the 1947 agreement with an increase proportionate to change in provincial population and per capita gross national product between 1942 and 1948.

No recognition of a province's fiscal need problem or its tax-raising ability was taken into consideration in the re-allocation or distribution of the tax moneys, but the same old factors were again used in the formula—the gross national product of Canada and the population of the provinces. One of the principal functions of the tax-rental agreements was that they were to ease the finances of the provincial governments possessing the lowest fiscal capacity.

It has been said that the present agreements have the effect of placing each province in a position where it can adequately discharge its constitutional responsibilities.

We fully concur with the statement made by the Premier of Nova Scotia at the preliminary conference last April that the present formula perpetuates the old idea of grants based on population, which is not a sound basis on which to apportion to the provinces necessary moneys for the discharge of their constitutional responsibilities. If the moneys collected by the Federal government are returned to the provinces only in proportion to their population, if the tax-raising ability of some provinces still remains less than others, the per capita return of grants still does not leave that province in a position to provide services up to the Canadian average or as nearly up to the Canadian average as we would all desire provincial services to be.

With the statistical tables which will appear in our submission we have established that since 1946 expenditures for provincial services have increased about 100 per cent and that, as measured by personal income, the provinces vary considerably in their ability to bear the increasing strain.

It has been and can still be amply demonstrated that because of its low taxable capacity to meet the demand for increased governmental services without imposing an intolerable burden upon the few surviving industries and the abnormal population problems of the province, some special adjustment or formula must be made with respect to the Province of Prince Edward Island. The incidence of the Canadian tariff upon the economic life of this province has contributed materially to its low taxable capacity through the drain upon its annual income and the burden imposed on its export industries. The financial problems of the government, both now and in the future, can only be met satisfactorily by a substantial increase by the Federal government in its annual payment by way of an equalization grant or some other means in order to meet the province's fiscal needs as they arise.

Furthermore, it is self-evident that the differences in taxable capacity of the various provinces have a direct effect upon the ability of such provinces to discharge their constitutional obligations; all are under the compelling influence of the demand for more and better highways, and larger expenditures for education, agricultural, and health and social services.

Prince Edward Island joins with her sister Maritime Provinces in asserting the need for a more equitable rearrangement of the fiscal relations between the Federal government and the have-not provinces.

Now, I did not change that, although reference was made to it this morning by my good friend the Premier of Ontario; and I am sorry now that Ontario has joined this select group. I want to assure Premier Frost and the Province of Ontario that we in Prince Edward Island will do our very best to attempt to place the Province of Ontario back in the "have" list again. The term is very descriptive, and I like to use it.

We would welcome a formula for the return of revenues to the provinces by the tax-rental agreements with a minimum guarantee, but with an added factor that would have regard to the tax-raising ability of each province in Canada, and would, at least, serve to bring up to the Canadian average, in some measure or other, the revenues of those provinces whose tax-raising ability falls below the Canadian average.

The Province of Prince Edward Island deems it essential that this Conference should take under consideration the establishment of procedures and programmes to expand and sustain the economic welfare, production and prosperity of the nation, including the development and use of our basic natural resources.

It is our earnest desire to co-operate fully in reaching a satisfactory agreement designed to conserve and develop our agriculture, forestry and fishery resources, improve our transportation facilities, and the construction of public buildings and equipment required for the public services or welfare programmes. However, we view with some degree of caution any programme that is financed jointly and equally where a programme may be considered of national importance.

In Prince Edward Island permanent highways have become a matter of necessity, more so since the recent withdrawal of certain railway services within the province.

On the subject of permanent highways, we recommend that the Federal government take under consideration a programme or project of assisting the provinces in the construction and improvement of present highways, similar to the one they did in 1919.

[Mr. Matheson.]

In the Trans-Canada Highway the Federal government again recognized the principle of fiscal need. It was considered by the Federal government that the provinces could not provide out of their limited sources or revenue for this service which was demanded by the people under modern conditions. Therefore, the Federal government came to the assistance of the provinces in order that these demands could be met. It was the same principle as that adopted in connection with the provision for health and social security services and it is the same principle that should be applied in connection with those other services for which the provinces are primarily responsible and which are demanded throughout Canada.

The construction of high-class roads is of importance to the nation, not only in reference to trade and commerce but especially in case it becomes necessary to defend the country in time of war.

The interest on that part of the public debt attributable to the construction of permanent highways has had to be borne by the provinces and this charge contributed toward the creation of fiscal need.

We feel that this Conference should take this matter under consideration as an item under the field of public investment.

In concluding the remarks on Public Investment and Natural Resources Development, the Government of Prince Edward Island, after having submitted their views on this matter, feels that the Government of Canada should now make known what type of programme or projects, and on what terms, the federal government is willing to enter into agreements to provide assistance to the provinces which are prepared to negotiate on these matters, at the same time cognizant of the fact that any proposal would have to be considered in the light of the problems and fiscal position of the provinces and their municipalities.

The provision of equal educational opportunities for all Canadians is now regarded as a matter of national importance. It is realized that a more highly educated community means more jobs of both a professional and industrial nature.

The Royal Commission on Dominion-Provincial Relations recognized these facts. One of its fundamental recommendations was that each province should be enabled to bring its educational and other welfare standards up to the Canadian average. Research organizations such as the School Finance Research Committee of the Canadian School Trustees' Association, and the two Royal Commissions on School Finance, both in the Maritimes, have demonstrated with facts and figures that the provinces vary widely in their capacity to support education. They place Prince Edward Island at the bottom of the list in this respect. Not only is its taxable capacity a great deal lower than the average but its educational costs are much higher because of its predominantly rural and scattered population. If the young Canadians now growing up in Prince Edward Island are to make a contribution to the productive capacity of Canada, they must have a proper start in life. This will be possible only if the Federal government recognizes its responsibility to equalize educational opportunities across the country.

Requirements for adequate educational services have expanded tremendously since the British North America Act was enacted. At that time only elementary schools were under consideration. Compulsory school attendance was not general and in no case did it go beyond the elementary course. Self-supporting fees were charged for the secondary and higher institutions that

were in evidence. Since that time not only have elementary school costs increased greatly but secondary education almost in its entirety, and higher education to an appreciable degree, have become a public charge. The same

is true of the technical and other expanding fields.

At the time of Confederation "free education" as it was then called, had become universal, but was still considered a local matter, and hence under the British North America Act was made a provincial responsibility. It should, however, be realized that as the nation has grown so has this important, essential and fundamental responsibility.

Education today should be no longer a matter of provincial concern. The economic growth and production of Canada is based primarily on the education and training of its people; and a continuation of this expansion can best be assured by increasing our educational effort. A full contribution in this direction demands that, not only a few but all provinces should be in a position to go forward together in the development of its youth which is the future strength and welfare of the nation.

We believe that Prince Edward Island could increase its contribution greatly to the Canadian economy in general, as well as the economy of our province in particular, if our educational facilities were improved to a reasonable standard comparable with the Canadian average. We, therefore, feel it is imperative that we point out some of our many educational deficiencies and compare our educational expenditures with those that would be necessary to achieve this goal.

The general provincial impoverishment, as reflected in a lower standard of educational opportunity, may be illustrated by the fact that approximately 3 per cent of Prince Edward Island students of Grade I reach Grade XII as compared with 28 per cent in another Canadian province.

If really adequate educational services are to be provided in the Province of Prince Edward Island the Department of Education believes that the educational expenditures shown in our "Budget of Minimum Standard Requirements" are reasonable.

The Government of Prince Edward Island is prepared to concede that federal assistance to education may take the form of conditional grants contingent on the maintenance of minimum educational standards in the province. But it is not satisfied that grants on a dollar-for-dollar basis will meet the need. The provinces most in need of improved educational services are the provinces which have the greatest difficulty in matching the federal contribution. We contend that conditional grants must be apportioned according to some index of a province's actual need.

Hon. T. C. Douglas (Premier of Saskatchewan): Mr. Chairman, may I on behalf of the Saskatchewan delegation extend our thanks for the most excellent arrangements which have been made in connection with this Conference. We are indebted to you, to your colleagues and to the members of your staff for the efficient manner in which they have taken care of all the detailed duties which are an essential part of a conference like this. I am sure that the other premiers at the table will also want to join with me in thanking you and the Department of Fisheries for your hospitality at noon today in inviting us to a fish luncheon. If it is true that fish makes brains I am sure that we will all agree that in selecting the premiers to attend this luncheon you were putting the fish where it is most needed.

I think it is not too much to say that the provincial delegations come to this conference better equipped to discuss the items which are on the agenda than at any Federal-Provincial Conference which we have held for some years. In my opinion it is due to the highly creditable work which has been done by the preparatory committee, the members of which have met on three occasions since we were here last April. I believe that the exchange of views and data made possible by the working of this preparatory committee has amply demonstrated the value of a permanent continuing committee of federal and provincial officials to which we could refer by mutual agreement various problems. Such a continuing committee would be useful in discussing problems that might arise and would assist in acquainting the representatives of the different governments with each others' views on those problems.

I should like to express our thanks to the Government of Nova Scotia for the kind hospitality which they extended to our representatives on the preparatory committee when that committee met in the city of Halifax. I am sure that this committee will prove useful to all governments here represented and I hope that it is only the first step toward the setting up of a more permanent body as a result of our discussions here this week.

Fiscal Arrangements

I should like now to turn to the items on the agenda which have been prepared for this conference. In broad terms the first item on the agenda is the problem of financing government services in Canada's federal structure. This problem has been apparent since 1867, but since 1939 there has been a concerted effort on the part of all governments to find a reasonable solution. Various proposals have been presented over the years, but there is a consistency in the ideas that have evolved which I think is worthy of note.

As its solution, the Rowell-Sirois Commission suggested exclusive federal jurisdiction over income tax, corporation tax and succession duties, and national adjustment grants to the provinces, based on fiscal need. These proposals, while not adopted in 1940, did nevertheless provide a pattern from which the Wartime Tax Agreements could be evolved. All provinces rented these three tax fields to the Government of Canada, and the compensation paid for the rental provided some measure of equalization payments to the less favoured provinces, though obviously not based on their fiscal needs.

This basic approach and the principles underlying it have continued during the ten years since the war and has apparently been found satisfactory by a large majority of the provinces. The areas of disagreement between the agreeing provinces and the Federal government have not been over the basic approach of the tax rental agreements nor over their objectives. The disagreements have centered on two questions: First, what is a fair and reasonable compensation for the rental of these three tax fields by the provinces; and second, what adjustment grants or equalization payments should be paid to the less favoured provinces to permit an equitable minimum standard of government services across Canada?

At no time during the discussion of these two questions over the past ten years has there been evidence that the majority of Canadians would choose to turn their backs on the achievements of the tax rental agreements. I am convinced that they want adequate levels of education, health and welfare services and economic development in all parts of Canada. The equilization payments available under present agreements, while inadequate, have gone a considerable

way toward accomplishing this objective. I believe that the majority of Canadians subscribe to the view that the Federal government has a responsibility for maintaining high levels of employment and income. They do not wish to see it deprived of the power it has said it requires to combat recessions and maintain high levels of employment, namely control of the income and corporation tax fields. I believe that the majority of Canadians—both individuals and corporations—do not wish to return to the double taxation which has been substantially eliminated by the agreements.

It now appears that the Federal government is entertaining an approach which could, as I understand it, lead to a serious weakening of the tax rental system. Until this conference has been provided with the details we cannot fully judge the implications of the federal plan. But in assessing its effects this conference must be sure of two things.

First, we must be certain to guard against a return to the chaotic tax jungle of pre-war years. True, certain features of the plan may be aimed at inducing the provinces to maintain a co-ordinated tax structure, but any proposal should go further and provide some assurance that this would be achieved. We cannot look with equanimity on any possible return to all the pitfalls of unrestrained tax competition, double taxation, and overlapping collection machinery.

Secondly, and even more important in our view, this conference must be sure that the Federal government does not lose the effective control it can now exercise over the income tax fields, so important in combatting depression and maintaining high levels of employment. The Federal government itself has repeatedly stressed the importance of this control. In 1945 the then Minister of Finance, Mr. Ilsley, said:

All taxes affect the volume of spending, but income and corporation tax rates, and changes in these rates, also have a vital bearing upon the incentive to produce and to undertake capital expansion. It is therefore important that these taxes be levied exclusively by the Dominion government. It is the only government which, because it can budget for the whole business cycle, is able to set rates in such a way as to contribute to a high and stable level of employment.

What changes have there been to suggest that tax policy is no longer unimportant in achieving these goals? We submit there have been none. But we fear that the plan the Federal government seems to favour could seriously weaken the ability of the National government to carry out essential fiscal measures. If there were a major economic dislocation and the Government of Canada were to find that it lacked the fiscal powers to restore the economic health of the nation, then the responsibility for that failure would surely be laid at the door of those who had weakened these powers. We put ourselves on record as registering the strongest opposition to any retreat from the achievements of the past fifteen years.

Saskatchewan will continue to support the basic principles of the tax rental system. The system has in fact worked, and worked well; it has contributed to the economic and social advance of our nation, and has in no way endangered the federal system of government. In endorsing the principle of the tax rental system we recognize that two questions remain to be answered. First, the level of compensation to be paid, and second, the basis upon which fiscal need payments might be made available to the less developed provinces.

[Mr. Douglas.]

In examining these questions we must take a careful look at the fiscal burdens of Provincial and Municipal governments. Certainly the problems we face in 1955 are different from those we confronted at previous conferences, but they are as real and as urgent. Social and economic changes in Canada have had their impact on provincial and municipal needs. All provinces and all municipalities are faced, for example, with a sharp increase in school enrolment, and both capital and operating costs of education will rise sharply in the next five or ten years. All are faced with demands that the level of health and welfare services be brought up to present day standards. Industrial expansion and population growth have created severe strains on municipal governments, extending requirements for sewer and water facilities, streets, water purification, and utility services. Transportation services throughout the provinces require tremendous extension. Expeditures for fostering economic growth and development must be increased if an ever-growing labour force is to be put into productive employment.

Saskatchewan earnestly hopes, therefore, that the tax rental system will be maintained and that the level of compensation will be moderately increased in accord with these and other changed circumstances in the Canadian federal family.

Specifically, we suggest first, that the provinces continue to rent to the federal government exclusive use of the personal and corporation income tax fields.

We propose, secondly, that a new method be used in computing the guaranteed minimum payments. It seems to us that the per capita yield from a stated percentage of federal personal and corporation income taxes, and a stated percentage of federal succession duties, in the province where the yield is highest, might form a reasonable basis for establishing the new guaranteed minimum. Under such a plan, these per capita tax collections would be used as the standard up to which all provinces would be brought.

Third, annual payments could be escalated as they are now by changes in population and gross national product, or by some other mutually satisfactory method.

Fourth, it would be recognized, of course, that any province not wishing to enter an agreement would be entitled to levy such corporate and personal income taxes as it desired. The citizens and corporations resident in that province would be entitled to deductions from federal taxes equivalent to the rates used in establishing the guaranteed minima for the agreeing provinces.

The basis I have just suggested for arriving at the guaranteed minimum, bringing all provinces up to the level of the highest in terms of the yield from these three tax sources, does provide for some measure of equalization. But I think we need to go further to meet the fiscal needs of the least wealthy provinces. For their needs are not met by equalization in respect of three tax fields only. In these provinces the possible yields from other revenue sources—sales and gasoline taxes, resource royalties, liquor profits—are also smaller on a per capita basis than the Canadian average. Saskatchewan would therefore urge that the Federal government pay fiscal need grants over and above the suggested equalization measure, to assist those provinces whose income from non-rented revenue fields is considerably less than the Canadian average.

A variety of alternatives for accomplishing this have been examined over the past several months, and as the Conference proceeds I should like to put

forward our thoughts on this question. I may say that we have been studying a proposal for an interim measure based upon average personal income. Under present conditions, its application would be of advantage primarily to the Atlantic provinces.

Public Investment and Natural Resources Development

Now as to the second item on our agenda, I suggest that we might gain a comprehensive view of the matter by asking a direct question, "Just what are the basic tasks of public investment in Canada today?" In answer to that question, it seems to me that government investment policy must be directed toward meeting three clearly defined areas of public need.

In the first place, governments must be concerned with ensuring adequate investment in the building up of basic social capital—the vast array of roads and railways; canals, dams and causeways; schools and hospitals; streets, sewers and waterworks; all essential to a stable and secure community social life. Here, as we all know, is a tremendous and rapidly growing range of capital facilities, and the point to be noted is that the great bulk of them, particularly the basic municipal services, are the kind of works that must be provided as rapidly as current demands for them arise. They are of a continuing nature, and simply cannot be deliberately deferred or postponed to any significant degree.

Secondly, governments have responsibility to undertake certain long-term development expenditures, especially in the field of natural resources. These are the capital programmes essential to stimulating economic growth. They open up the way for the flow of private investment, for increased employment opportunities necessary to absorb an expanding labour force, and for higher productivity supporting a rising standard of living. Such programmes include basic resource mapping and surveys, improved access and transportation facilities to and from these resources, and the mustering of fuel and power essential for extraction and development. A nation such as ours, with a growing population and an economy so closely tied to the utilization of natural resources, must be certain to maintain a steady flow of capital into the long-term conservation and development of these basic assets.

Governments have a third unquestioned obligation in public investment. As the need arises, they must be alert to combat the waste and tragedy of unemployment and depression. To accomplish this, as I have already stressed, they must utilize all the monetary and fiscal weapons available, including direct and decisive public investment programmes which will provide jobs for those in need. This is surely a primary and critical responsibility of the national government, particularly since it alone can exercise effective control in the use of the necessary tools of economic stabilization. I remind the Conference of this need at this time, fully conscious of the current economic upswing, but remembering all too vividly that only last March there were over half a million Canadians out of work and vainly seeking non-existent jobs.

Apart from this last area of public investment, for which the National government must accept almost exclusive responsibility, we all recognize that the three levels of government share in the obligations to provide essential social capital and stimulate economic growth. The constitution explicitly assigns certain duties to the central government, others to the provinces, and by implication suggests a general division in many other fields. In turn, tradition

and custom has indicated a division between Provincial and Municipal governments, under which the latter bear a major responsibility for purely local works and services. In large measure these provincial-municipal responsibilities, I would stress again, involve certain minimum capital facilities which must be built as rapidly as current needs develop.

In large degree it is just this last fact which underlines the current and prospective capital expenditure dilemma facing the provinces and municipalities. The steady growth in importance of public investment by these jurisdictions, dating from the first world war, is described in the notable report on investment in Canada issued by the Department of Trade and Commerce. But in more recent years, following upon twenty years of depression, war, and postwar shortages, the weight of responsibility for essential and non-postponable capital works devolving upon Provincial and Municipal governments is growing so rapidly that accessible resources of capital and credit simply cannot keep pace. This tremendous increase, and a significant shift in burdens, is suggested by actual figures. Between 1930 and 1955, new capital expenditure for all purposes by the Federal government increased a little over three times. But for municipalities it grew by over five times, and for provinces, by six times.

And what perturbs provincial treasurers and municipal representatives alike is that the prospect for the next several years ahead points to an even more rapid acceleration in the growth of capital requirements. As reported at the preparatory committee meeting in Halifax, the annual demand for all-provincial-municipal purposes over the next five years is estimated at about 50 per cent higher than the record figure of $1\cdot2$ billion in 1955.

Needs of this magnitude can only mean severe strain on provincial-municipal credit. It is certain, for example, that many of our municipalities are simply unable to raise their required capital funds in the ordinary markets. And even provinces are pushed to the limits of their borrowing capacity, unless they are prepared to assume excessive interest costs, and seriously impair not only their present credit rating, but also their continuing ability to weather possible economic storms.

Under these conditions, I should like to put forward the following suggestions for discussion:

- 1. As a means of helping municipalities in financing their expanding needs for self-liquidating capital expenditure, the Federal Municipal Improvements Assistance Act should be made operative and revised to meet current needs.
- 2. Because a major cause of the municipal capital problem is the need to accommodate the post-war upsurge in school population, the Federal government should initiate a programme of capital grants for school construction, with matching grants from provincial authorities, following the pattern and precedent of hospital construction grants.

3. Legislation similar in principle to the Municipal Improvements Assistance Act should be enacted to provide for loans to provincial governments on jointly approved federal-provincial development projects.

4. Existing federal programmes of assistance in resource development. e.g., fur and forestry, mining roads, water resources, the Trans-Canada Highways, should be reviewed with a view to consolidation into a single comprehensive statute. Such a statute would establish a general resources

development fund, with per capita allocations to the separate provinces and extending over a stated period of years, to be used in a flexible manner to assist each province in financing approved resource development projects of particular importance to that province.

- 5. The Federal government should carefully review its programmes in fields of joint responsibility, with a view to improving federal-provincial coordination; and consider expanded activity in its own areas of responsibility. Specifically, the development of the South Saskatchewan river system should be recognized as a project of national importance, along with the Canso Causeway and the St. Lawrence Seaway, and be proceeded with immediately.
- 6. Finally, as a guarantee of national policy underwriting the maintenance of full employment, the Federal government should reinstate the 1945 proposals with respect to a programme of timed investment, and federal-provincial machinery should be set up to approve the planning and engineering of postponable public projects.

May I say a word with respect to my final point. This morning the Prime Minister indicated that the Federal government was not favourable to the idea of establishing "planning" and "timing" grants along the lines that had been suggested in the 1945 Conference. After the Prime Minister made that statement, he gave this assurance:

Should economic conditions in future require some extraordinary effort in public investment, as a support to the general level of employment the Federal government will endeavour to be ready with some useful suggestions to co-operative approach to such a programme.

With all due deference and respect, I would like to point out that in my opinion it is just not possible to be ready to meet a situation of unemployment which might require a large-scale public works programme, unless there has been a good deal of planning and unless we are prepared to adopt again the "shelf" theory of having certain postponable public works which can be brought into direct operation should unemployment occur.

If we are faced next March or April with unemployment of the same or greater proportions than we had last March and April, and if the Government of Canada would offer to go into some large-scale public works as a means of creating employment, I am sure all of us recognize that it would take six months or a year before plans could be drafted, materials ordered and such a programme put into effect.

We feel quite strongly that one of the functions of government is to be prepared for any eventuality which might arise, and we also feel that some type of machinery should be set up so as to have on hand postponable projects which could be utilized should unemployment once more become a menace to the well-being of the Canadian people.

Health Insurance

Now may I turn to the question of health insurance, and social welfare. The question of health insurance is the next major topic on our agenda. Saskatchewan's position in this regard is familiar to all. We welcomed with keen enthusiasm the federal proposal of 1945, which envisaged the ultimate establishment of a comprehensive scheme of health coverage for all Canadians. The

[Mr. Douglas.]

plan was to be developed in successive stages, to be administered by the provinces with an eye to particular local conditions, and to be financed in part by a contribution of 60 per cent of cost from the Federal government.

It was a bitter disappointment to us that the Federal government of the day failed to implement its own proposal. They indicated their view that it would not be possible to proceed until "a sufficient number of provinces" entered the fiscal agreements. In full expectation, however, that the proposal would be honoured in due course, we in Saskatchewan proceeded to develop our own province-wide hospital insurance plan, and to pioneer as well in tax-supported medical care programmes.

At the 1950 Conference, I urged that "each province be allowed to proceed stage by stage in establishing health insurance" along the lines most appropriate to its particular circumstances. Again at our April meeting this year, in arguing for inclusion of this topic on the agenda, I restated our view that a comprehensive plan of health insurance is a necessary and inevitable national objective. That is still our view today. I may add that we have been greatly heartened by the expressions of increasing interest in this subject on the part of several other provinces.

Today, I suggest once more that hospital insurance is a logical and proper first step in the development of a comprehensive plan. In the first place, I think we have proven in Saskatchewan that to assure adequate hospital care for all in need, and to bannish the spectre of crippling hospital bills, is in itself a sound, social advance. Secondly, there is no doubt but that hospitals across the nation would welcome a more adequate and secure basis of financial support. Furthermore, a framework of hospital insurance already exists in at least four provinces. Finally, it is noteworthy that of total payments now received by general hospitals, over 54 per cent is already paid in from various public funds, and a further 18 per cent comes from voluntary insurance schemes. As a consequence hospital insurance across the nation would mean that only the residual 28 per cent of cost now borne by individual private payments would have to be channeled through insurance funds.

In addition to joining with the provinces in establishing hospital insurance, in our view the Federal government should be prepared to co-operate with any province desirous of setting up a medical care programme, irrespective of whether or not it has proceeded with hospital coverage.

Such a programme could be developed on a stage basis, for example diagnostic benefits, general practitioner services, or surgical care, depending upon the particular needs and plans of the province. In our view, too, care for the mentally ill and treatment of chronic disease must be recognized as integral phases of a comprehensive health plan.

I wonder if at this point, Mr. Prime Minister, I may just say a word about the proposals this morning of my good friend the Premier of Ontario? As I understood the proposal which was made by Mr. Frost, he suggested a series of stages, some five in number, providing for diagnostic care and the home care plan and extraordinary hospital costs for prolonged illness, and then maternal hospital care costs, and gradually working into a hospital insurance plan which at first might be based partly on a mandatory basis and finally coming into a complete hospital plan.

Now, I am sure my friend will not misunderstand me when I suggest that I think that in any hospital insurance plan, stages of that nature ought

to be available to the provinces. But we would be disappointed if the Federal government indicated that that was as far as it was prepared to go at this time. We have had since January 1, 1947 a comprehensive hospital insurance plan, and a very considerable part of our population are already covered by tax-supported medical care programmes. In other words, if those five proposals were to be the limit to which the Federal government were prepared to commit itself at this time, Saskatchewan, and I assume British Columbia, and some of the other provinces, would be required to mark time until the other provinces had caught up to us.

We have no wish to hurry anyone else, and we would certainly be agreeable to progressive stages such as has been outlined by the Premier of Ontario, but we would hope that it would be possible to get agreement here to allow those of us who already have hospital insurance plans to proceed with the setting up of additional plans, particularly medical care programmes.

It has already been suggested, I believe, by Premier Frost that a committee of this conference be established to study some of the details regarding health insurance with a view to reporting back to a plenary session of the conference as soon as possible. I think that suggestion is an excellent one and we would support the setting up immediately of such a committee, comprising the Ministers of Health and their Deputies. However, before doing so, it seems to me that we ought to have some clear understanding of the conditions under which the Federal government will provide assistance and some statement from the provinces as to whether or not they are prepared to proceed in the light of those conditions. As I understand the statement of the Prime Minister this morning, he indicated that the Federal government would be justified in providing financial support for a health insurance programme if a majority of the provinces, representing a majority of the people of Canada, were to signify their desire to embark on such a programme. As the Premier of Ontario pointed out this morning, the Federal government proceeded with Old Age Pensions legislation in 1926 without attaching any condition that any given percentage of the Canadian people should be required to agree to participate before the plan was proceeded with. It seems to me that the same principle could well apply here. However, if the Federal government is adamant on this point, then I think before any committee can begin to discuss the details of a health insurance programme, the provincial governments must make their position clear. As I understand it, if six provinces, one of which is a central province, are prepared to proceed with diagnostic services and hospital insurance, then the Federal government is prepared to provide financial assistance for these programmes. I hope that before any committee is established a majority of the provinces here, including at least one of the central provinces, will indicate to the Conference and to the Prime Minister their willingness to proceed at least as far as the two services which the Prime Minister has outlined, namely, diagnostic services and hospital insurance. For our part I express the hope again that the Federal government will be prepared to go further and include a medical care programme as the third stage in a comprehensive health insurance programme.

Timing and Scope of Special Conferences

Let me proceed now to some brief comment on the final topic of our agenda—the timing and scope of special conferences. In our view, the most urgent and important need is for a full-dress Federal-Provincial Conference on the problems of farm prices and the marketing of farm products.

[Mr. Douglas.]

You will recall that last April I urged the inclusion of this topic on the present agenda. At that time I pointed to the drastic fall in farm income taking place in every region of the country. Since then the situation in the west has reached a state of crisis. The farmers have harvested a bumper grain crop of highest quality. But they are unable to dispose of this crop to get the money they must have to pay their debts and meet their living costs. There is a growing recognition in western Canada that some type of cash advance on farm-stored grain is imperative if the west is not to suffer serious economic repercussions, which undoubtedly will be felt throughout the entire Canadian economy. This is an emergency of particular concern to the Federal government and the prairie provinces. But there are also two widespread problems, seriously affecting agriculture right across the nation. The first is the continuing cost-price squeeze on farm net income. Over the past five years farm prices across Canada have fallen about 20 per cent, but farm costs have gone up by 20 per cent. The second general problem is the constitutional tangle that continually plagues all efforts to maintain effective orderly marketing arrangements.

These are all questions of such urgency that a conference should be called to deal with them as soon as possible. Such a meeting could well replace the usual production outlook sessions of the Minister of Agriculture ordinarily held in December of each year. In addition to the latter, this conference should be attended by the heads of our respective governments, by the Minister of Finance and the Provincial Treasurers, and the other ministers most directly concerned.

At a later date, it would be extremely useful to consider a special conference to review the whole problem of water resources in Canada, This is a topic of very widespread concern to many provinces, and necessarily to the Federal government, because both interprovincial and international rivers are very extensively involved. Some of us are interested in domestic water supplies and the growing need to overcome serious pollution. Some are concerned with difficult problems of flood control. Others are interested in irrigation development, and still others with hydro-electric potential. I am convinced that a conference of this kind I am suggesting would go far toward laying the groundwork for a long-overdue comprehensive policy covering the best use of Canada's soil, forest and water resources.

Thirdly, dependent upon the outcome of our current discussions with regard to fiscal relations, it may prove necessary to ask for a special conference to discuss the issue of federal support for the provinces in financing education. As everyone knows, the drastic increase in school costs in the postwar period is one of the most critical problems in provincial-municipal finance today. In this connection it is of interest to note that President Eisenhower has invited more than 2.000 persons to a special, four-day White House Conference, at which a major question for discussion will be federal aid to the states in financing their local school systems.

Fourthly, I would urge, that a Federal-Provincial Conference be called to discuss the completion of the Trans-Canada Highway and federal assistance for development roads; and highways of national and international importance.

The fifth proposal I would suggest for discussion is the reconvening of the Conference on constitutional amendment. It seems to us that if the constitution is to operate, not as the dead hand of the past, but as a living instrument, endowing democratic government with sensitivity and vitality, we must surely

find an acceptable means through which necessary change can be sought and secured. I refuse to believe that it is beyond our competence, intelligence and goodwill to find a method of amendment which will provide for essential flexibility and yet ensure the safeguarding and respect of basic provincial rights and prerogatives.

Before closing I want to add just a word about the matter of unemployment assistance. We had hoped, of course, that by this time a reasonable settlement of the matter could have been reached, and further discussion at this time would be unnecessary. Unfortunately, the draft of the agreement, which the Federal government submitted to us, does not conform fully with our understanding of the agreement which was reached at the June meeting.

As the Prime Minister said this morning, we also hope there will be some opportunity of discussing in further detail some of the views which were expressed at the June conference which we feel are not reflected in the draft agreement. In spite of the general economic upswing since last April and the improved employment situation, there are still pockets of unemployment in Canada. To this will undoubtedly be added seasonal unemployment as winter approaches and it is entirely possible that we will be faced with a grave unemployment problem again in the future. I urge, therefore, that this conference set up a sub-committee immediately to study the question of unemployment and the proposed unemployment assistance agreement which the Federal government has submitted to the provinces. In my opinion this sub-committee should submit its recommendations to this conference in order that some tangible steps may be taken before we adjourn this meeting.

Conclusion

In concluding my remarks I would like to remind this conference that ten years ago the Federal-Provincial Conference on Reconstruction met in this capital city. At that time Prime Minister W. L. Mackenzie King stated in clear and succinct terms the national objectives which we should seek to achieve. I cannot do better than to quote a few sentences from this opening speech:

The lessons of war have taught us the vital importance of cooperation in an effort to reach a common goal. Without unity there is frustration. Now that we are coming face to face with the problems of the post-war years, the need for unity and co-operation is not less than it has been: from some points of view, it is greater. The enemies we shall have to overcome will be on our own Canadian soil. They will make their presence known in the guise of sickness, unemployment and want. It is to plan for a unified campaign in Canada against these enemies of progress and human well-being that we have come together at this time.

I would like to state most emphatically that in the view of the Saskatchewan Government those are still the national objectives toward which we ought to move and to the achievement of which this conference should devote itself. It has been said that "the proposals of 1945 are no longer suitable for our agenda in 1955". Many of us may differ with that statement but I hope that none of us will dispute the contention that the national objectives of waging war against sickness, unemployment and want as stated in 1945 are still our goal in 1955.

[Mr. Douglas.]

Undoubtedly considerable progress has been made toward the attainment of these objectives during the past ten years. The tax rental agreements have provided a more equitable distribution of tax revenues; Old Age assistance, national health grants and other federal-provincial measures have improved our system of social security. Commencement on the construction of the Trans-Canada Highway and other development programmes have demonstrated the value of federal-provincial co-operation. I think we can take some pride in the fact that during these past ten years we have made considerable progress toward the national objectives which were enunciated in 1945.

However, I cannot help but feel that lately there has been a lessening in our sense of national purpose. To some extent the vision which we had in 1945 has become blurred by sectionalism. Too often we have been preoccupied with fragments of a National programme when we ought to have been concentrating on an overall comprehensive plan for the well-being and security of the Canadian people. It seems to me important that this gathering should return to the spirit and objectives of the 1945 Conference on Reconstruction.

It is sometimes argued that the international situation and the need for heavy defence expenditures compel us to postpone for the present proceeding with the programmes which were outlined in 1945. With this I cannot agree. The so-called "cold war" is more than a contest of armaments; it is also a conflict of ideas and a struggle for the mastery of men's minds. In that kind of a war the greatest defence which this country or any other country can have is a happy and contented people who enjoy an increasing measure of protection against sickness, unemployment and want. To postpone the achievement of the objectives which were set forth in 1945 is to deprive this country of its greatest defence, namely, a people who have a stake in the democratic way of life.

I am convinced that the great majority of the Canadian people supported the Reconstruction proposals in 1945 and that they support them today. I believe that they are looking to us to devise measures and techniques whereby full employment, a high level of national income and minimum standards of social security for all Canadians shall be established in this country. If we are prepared to work together for the national well-being in a spirit of co-operation and goodwill, I am sure this can be accomplished. We have an obligation to those we represent to succeed; history will hold us responsible if we fail.

Hon. E. C. Manning (*Premier of Alberta*): Mr. Prime Minister and gentlemen, tonight I am going to break with precedent and not read a prepared statement, setting out Alberta's views with respect to the matters we have under discussion.

In this preliminary stage of the Conference our main concern should be to establish and accept certain basic principles, leaving the discussion of the details of their application to committee a little later on.

My observations on behalf of the Government of Alberta can be reduced to a handful of simple but, I believe, pertinent facts. Certainly, there is no need to emphasize the importance of reaching a satisfactory federal-provincial taxation arrangement. The importance of such an arrangement to the economy of this country is recognized by governments of all levels, and I believe recognized generally by business and the public of this country as a whole. Certainly, every taxpayer, whether individual or corporate, hopes that this Conference will be able to avoid a return to a dual system of tax imposition and tax collection. The

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abolition of the dual system of taxation, with all the conflicting rates and interpretations was one of the objectives of the present tax rental agreements. Time has demonstrated that there is need for revision of some of the features, at least, that are embodied in the formulae that were used in arriving at the present tax rental arrangements.

I would like to suggest, on behalf of the Government of Alberta that to attain our objective if a satisfactory and workable federal-provincial tax arrangement we must evolve a formula that will give realistic recognition to two basic factors. The first of those factors is fiscal need, which already has been emphasized by a number of the premiers who have spoken. We cannot shut our eyes to the fact that there are areas in this country that lack the revenue potential that is necessary to enable their provincial and municipal administrations to discharge their constitutional or statutory responsibilities. If those areas are to develop and progress in step with the pace that Canada is setting as a whole, we must be prepared to accept the necessity for their receiving financial assistance from the other more fortunate areas of Canada.

Hand in hand with the recognition of fiscal need in certain areas of this country, there must be a proper recognition of tax potential. We cannot hope for a satisfactory arrangement unless we evolve a formula that will ensure a reasonable amount of local income benefit from such local development as takes place. The argument is particularly strong where the fields attain their tax potential by reason of the development of primary natural resources. Using our own province as an illustration, the oil and gas resources of Alberta, to the extent of approximately 90 per cent, are owned by the people of the province as a whole. The revenue potential accruing from the development of those resources obviously, is something from which the people of the province as the owners, we properly feel they are entitled to a very definite local benefit. One of the weaknesses in the present tax rental agreements is that they do not effectively give due recognition to the tax potential within the individual provinces. Comparing the Federal government tax collections in the various Canadian provinces in the present year 1955 to the federal tax collections in those same provinces in 1948, we find that the revenue collections have increased from 97 per cent up to as high as 252 per cent. The 252 per cent increase happens to be in my own province of Alberta. I give these figures to illustrate that—while the tax value of the fields we have rented to the Federal government has increased by 252 per cent in 1955 as compared with 1948, the revenue accruing to the people of our province under the existing tax rental agreement is a very small increase representing merely the application of the GNP factor and the increase in population that has taken place. In other words, the actual increase to the province in no way reflects the development that has so greatly enhanced the federal revenues.

If we are going to get a fair recognition of the tax potential the formula for tax rental agreements should embody a percentage of the revenues collected as one of the factors determining the amount payable to each province.

I have been trying to think of what valid objections there could be to abandoning entirely the present concept of either federal personal income tax or federal corporation tax, provincial income tax or provincial corporation tax, and instead viewing this matter as a joint federal-provincial tax. After all, it is the same taxpayers who pay the bill. The revenue is needed both by the

[Mr. Manning.]

Federal government and the Provincial government to successfully discharge their constitutional responsibilities. If instead of the Federal government imposing all personal income tax or all corporation tax, or the provinces going back in the field, and thereby contributing to a system of dual taxation, if by agreement the Federal government and the provinces could agree on a joint tax programme under which there would be only one tax form filed by the taxpayer, whether it was individual or corporate, embodying rates mutually agreed upon, it could be called, a federal-provincial tax, the form itself indicating the percentage of the total that was going to federal revenues, the percentage of the total collected that was going to the provincial revenues, it seems to me that a system of that kind would have some very definite advantages. Not only would it recognize the factor of tax potential in each province but it would relieve the Federal government of the unenviable position of being the tax collector for itself and the provinces, and it would relieve the provinces of being put in the position where they must carry on, depending to a large degree on grants and subsidies from the federal treasury. If the tax itself was levied as a federal-provincial tax, there would be a sharing of the responsibility of the levying of the tax, both individual and corporate. It would remove the objectionable feature of provinces getting their revenue from taxes imposed by another government. If this basis was made as the main source of revenue for the provinces, as far as these tax fields are concerned, it would be a comparatively simple step to strike a national average based on some satisfactory set of facts, and any province whose revenue from these tax fields did not come up to that national average would then be made the recipient of a fiscal need subsidy. I would suggest, that in the case of those provinces whose revenue was in excess of an agreed national average should along with the Federal government jointly contribute to a national tax stabilization fund from which the fiscal need subsidies would be paid to those provinces whose returns from the federalprovincial tax did not come up to some agreed average.

The tax levels apportionment of the joint tax collected would have to be arrived at by a realistic appraisal of the facts. The Province of Alberta is in rather a unique position in this regard, because back over the years we have faced, first, the problems of economic stagnation in the mid-thirties and the pre-war years, and in the post-war years the problems that arise from unprecedented economic development. I do not want to suggest for a moment that of the two kinds of problems we would not prefer those of unprecedented economic development, but I do suggest there is a great lack of understanding across this nation today of the problems faced by provincial and municipal governments as the result of rapid economic development and expansion. In the case of our own province—I have found in talking to men high in the ranks of public life and business across Canada that some feel that our province is in a position of embarrassment because it has more revenue than it knows what to do with. Such statements indicate clearly a lack of appreciation of the impact of rapid economic development on provincial and municipal expenditures.

Without wearying the conference with statistics I think I can illustrate my point very briefly and simply. In the last eight years from 1947 which was our last year before the advent of oil discovery on a large scale—in 1947 our provincial income was approximately \$50 million. In 1955 it had increased to \$177.5 million, an increase of about 275 per cent. The significant thing is

that in that same period our provincial expenditures increased from \$46 million to \$222 million, an increase of 380 per cent as against the revenue increase of 275 per cent.

Last year, which was the best year we have known from the standpoint of revenue collections, it was necessary for us to dip into the accumulated surpluses of previous years to the extent of \$13 million in order to meet our current expenditures for the last fiscal year.

For the present fiscal year our estimates are that we will have to draw on the surpluses of earlier years to the extent of some \$40 million to meet increased current expenditures largely due to demands that we cannot avoid as a result of the rapid economic expansion which is taking place.

It is only fair to point out that the impact of the rapid economic development strikes very heavily at the level of municipal government. There are necessary additional provincial expenditures in the way of highways, bridges, buildings and so on but the municipal governments feel the impact of the growth of their communities which forces them to make unavoidable capital expenditures which they can only meet by greater provincial assistance because their own sources of taxation, limited as they are to taxes on real property, are I think right up to about the maximum figure to which they can go.

In the last six years direct provincial assistance to Alberta municipalities, which include educational and health services, amounted to about \$208 million. In that same period it has been necessary for us to make loans to those municipalities to meet necessary capital expenditures to the extent of another \$149 million. The six-year total of municipal assistance, including health and education, is over \$357 million, or almost \$60 million a year, which is more than our entire provincial revenue only eight years ago.

Our two major cities have felt great impact brought about by an influx of population and there has been a necessary expansion of utilities and other services which that population growth has required. In the last two years the direct financial assistance from the provincial treasury to these two principal cities amounted to \$38 million, and loans to the extent of \$94 million have been made, a total of \$132 million dollars.

Edmonton, which has the distinction of being the fastest growing city in Canada, has been forced to make capital expenditures amounting to approximately \$102 million dollars during the last five-year period.

I mention these points to illustrate that in years of great economic expansion, while they may create buoyancy of revenue that was not known before, at the same time necessitates expenditures which in most instances have increased at a rate even more rapid than the increase in revenue.

For three years none of the municipalities in our province have had to go on the open market to borrow a dollar. The province has loaned them all they required for capital expenditures. It might be argued that that is not a necessary thing for the province to do, that they could go on the open market and borrow, but it is our feeling that in as much as we have been able to make this money available to municipalities at a low rate of interest it has saved the taxpayers of those municipalities approximately \$1.5 million a year in interest charges as compared with what they would have had to pay if they had obtained that necessary capital on the open market. Surely that is the type of contribution

[Mr. Manning.]

toward a better Canadian economy which was in the minds of both federal and provincial authorities when we first began discussing these federal-provincial taxation arrangements.

The other point that I should like to mention is this. In arriving at a new formula for federal-provincial fiscal arrangements we should strive for greater simplicity to what exists today. We would therefore strongly recommend that there be a complete review of all federal grants to Canadian provinces. It is our thinking that many of these grants might well be abolished and an equivalent amount embodied in a fiscal agreement instead of having part of the revenue coming to the provinces under fiscal agreements and not in the form of grants. Many grants have been built up over the years containing conditions that create misunderstandings and uncertainties on the part of both federal and provincial authorities. Mention has been made already of some of these grants which have been approved and then after a few years either a ceiling is put on by the Federal government or as happened in one or two cases they have been discontinued entirely and the province is left in the embarrassing position of having to go on and pay the entire bill or else abolish a service which was established only because the province was under the impression that it was going to be jointly financed.

We suggest that we should try to get away from that sort of thing by abolishing such grants and embodying in the federal-provincial tax agreement sufficient revenues to the provinces to compensate them for the wiping out of many of these grants which are in operation today.

To summarize briefly. We suggest that we should give serious consideration to a new form of taxation agreement under which there would be a joint federal-provincial tax levied both on individuals and corporations in the form of personal income tax and corporation tax. We suggest that the federal authorities are the logical collectors of such a tax. We feel in fairness to them the tax should be levied as a joint federal-provincial tax at agreed rates so that the provinces would share with the federal authorities the responsibility of imposing the tax and the Federal government would not be imposing and collecting it and then turning over a portion to the provinces in the form of grants.

Where the revenue obtained by a province from this tax source exceeded the national average or some agreed standard there would be a contribution from the amount in excess to a central tax stabilization fund and from that fund should be paid fiscal need subsidies to those provinces whose revenues from the tax source was below the national average or below the agreed standard.

For the same reason we feel that the agreement should embody a realistic and irreducible minimum. Perhaps the simplest plan would be to make it the amount paid the first year the agreement was operative. A province would then know that at no time during the life of the agreement would revenues from that source ever dip below the amount on which they had planned their programme at the time the agreement went into effect.

Then there is the additional factor which I have mentioned. That is serious consideration should be given to the abolition of additional grants embodied in a general fiscal agreement to simplify the whole procedure and avoid many of the weaknesses that now exist.

We have some definite opinions on the matter of public investment and health insurance which we will express at the appropriate time. We had at this time endeavoured to indicate what we think are pertinent and basic facts essential to satisfactory federal-provincial taxation arrangement.

Hon. Joseph R. Smallwood (Premier of Newfoundland): Mr. Prime Minister and gentlemen, I doubt very much that you will expect me to add anything to what has been said here this morning, this afternon and tonight because the speeches have been most comprehensive and some of them have been quite brilliant. There are really only two matters that have been discussed today that interest us very particularly in Newfoundland. The first is the question of the tax rental agreements or something in place of them, and the other is the question of the development of our natural resources.

We are not too greatly concerned with the matter of the tax rental agreements, and this for two reasons. The first is that virtually all the other provinces of Canada have been giving and are giving tremendous thought and study to this whole question. They have had long experience in the business of thinking about and considering this whole question which we have not had. It is all extremely new to Newfoundland, a matter of only six years or even less. Newfoundland is in the happy position of having her battle in this matter fought for her by the ten other governments.

First, and I think sometimes the foremost, is the Government of Canada. It appears to me to be true that the Government of Canada is as concerned with attaining these objectives as is any other Government in Canada. Then there are the rest of the provincial governments.

Today the premiers of the other provinces have set forth a large number of ideas, with all of which Newfoundland is in agreement. But we reserve the right to pick what we think is the best of a lot of good ideas and to back the best.

The second reason why we are not too immediately concerned with this matter of the tax rental agreements, or something as good or even better, to take their place, is that Newfoundland is in a different position from any other province. When seven years ago the entry of Newfoundland into the family of Canadian provinces was being negotiated here in this city, in the first instance for a period of three months and in the second instance for exactly a similar period, it was recognized quite frankly that you could not negotiate final and adequate terms, fair and equitable terms, for Newfoundland's entry into Confederation.

And so those who negotiated it eventually signed the terms of Newfound-land's entry into Canada. Needless to say, these terms are today a part of the British North America Act; they are part of Canada's constitution. In those terms it is quite frankly admitted by the signatories that it was impossible at that time, in fact a year before Newfoundland became a province, to anticipate realistically just what would be the impact of Confederation upon the finances of Newfoundland. Therefore a clause was included in the terms of union which was worded closely to this effect:

In view of the difficulty of predicting with sufficient accuracy the financial consequences to the government of Newfoundland, of confederation with Canada, the Government of Canada agrees within eight years of the date of union to appoint a royal commission to review the financial situation of Newfoundland, and to recommend the form and scale of additional financial assistance, if any,

[Mr. Smallwood.]

required by the Government of the Province of Newfoundland to enable that government to maintain the levels and standards of public services realized, without resorting to taxation more burdensome, having regard to capacity to pay, than that obtaining in the three Maritime Provinces, namely, Nova Scotia, New Brunswick and Prince Edward Island.

Now, Mr. Prime Minister, as you know that royal commission is due to be appointed within the next two years, for which reason there will be no difficulty in understanding the profound interest Newfoundland has in seeing what happens in Nova Scotia, New Brunswick and Prince Edward Island.

I can assure the Premiers of these three provinces that they have no stronger backer than Newfoundland, because in this clause of the terms of union these three provinces have been constituted the yardstick for Newfoundland. So, the better they do, the better we do. For that reason, I think we do not need to worry much today about the solution of this particular problem at this particular conference. Our fate I think will be determined by the royal commission that is to be set up within the next year or two. That, I think, is the frank and realistic attitude for Newfoundland to take in that matter.

I turn now to the thing that concerns us very much, the matter of the development of natural resources. But before I say more about it, may I add that I have a text for my sermon.

As I came up from Newfoundland by plane on Saturday I bought the Halifax paper at the airport in Halifax, and in it I saw this article, bearing the headline "Project is Biggest Yet is Report", a CP story datelined at Ottawa. This is what it says:

"The biggest job of geological exploration ever undertaken in the northernmost islands of Canada's Arctic archipelago has just been completed.

A 30-man team headed by eleven federal geologists travelled through the Queen Elizabeth islands by helicopter, in the worst Arctic weather in years, to draw in the main features of the area's physical structure.

The survey, known as Operation Franklin covered a 100,000-square mile area—bad weather prevented reaching another 20,000 square miles—and accomplished its objective.

"We have established the essential major geological elements of the region", 41 years old Dr. Y. O. Fortier, head of the expedition, said in an interview Friday.

Detailed studies were made at scores of points, some within about 600 miles of the pole. Three tons of specimens and samples were brought back.

Operation Franklin was undertaken as part of the growing federal effort to open up the north, and because it is generally accepted that any economic development will be based mainly on minerals.

The survey was not intended to search out mineral deposits. But its geologists found many coal seams—

That will interest Nova Scotia.

—up to 35 feet wide, and gypsum deposits which Dr. Fortier said cover hundreds of square miles north and east of Resolute. Coal samples brought back have not yet been tested for quality."

Now, I have no objection at all to the Government of Canada going within 600 miles of the North Pole in search of coal and gypsum, if they want to do it; and I think people, if I may say so, regard it as their duty as it is admittedly their duty to do that kind of thing in the Yukon and the Northwest Territories, because these are specially federal territories.

My whole point is that I would much rather have seen this 30-man team, headed by eleven federal geologists, working in the island of Newfoundland; and if they wanted some experience in the north, they might have gone into Newfoundland's part of Labrador, an area of some 110,000 square miles.

I would not have objected if this 30-man team had spent the year down in Nova Scotia, or if they had spent another year in New Brunswick, or if another team of 30 federal men had worked in Prince Edward Island. I feel it is at least as much the function of the Government of Canada, as it is the function of the Government of Newfoundland, to search out whatever there is in the Province of Newfoundland and which when found would add to the sum total of Canada's wealth.

Mr. Prime Minister, I find here something that is to me incomprehensible. That is not mock modesty—I quite honestly don't understand why it is that the people of Canada are imagined not even to lift an eyebrow if the government of their nation spends money in the millions, the tens of millions, and even in scores of millions, in the provision of such things as the Causeway, and our magnificent new ferry, which I think is the best in North America and for which Newfoundland is most grateful; also, the Chignecto canal, which I doubt not will come, and the dam that my friend from Saskatchewan talks about. As I say, the public of Canada is supposed not to mind at all if the government spends scores of millions on traditional and conventional things because they are public services, but that that same public will rise up in almost a revolution if that same government spends even a few millions in an honest to goodness search for the wealth that we believe may be in Newfoundland, Nova Scotia, New Brunswick, Prince Edward Island, and perhaps Saskatchewan and Manitoba these "have-not" provinces; their development alone can reduce, if not entirely eliminate, the dependence of these governments on the government of Ottawa.

I would think the people of Newfoundland—and I do not think they would be any different from the people of Ontario or Quebec, or Alberta or British Columbia in this respect—would infinitely prefer to have the financing of their essential provincial public services done out of taxes raised on the profits of development of their natural resources rather than by dependence on a hand-out from the benevolent Federal government in Ottawa.

We in Newfoundland have benefited enormously, almost incredibly, in a financial way from the operations of the United States military, naval and air bases in our province.

Who will say that \$20 million or \$30 million a year circulated amongst all people in Newfoundland from that particular source is the best, is the soundest kind of economic development? Who will say that it has anything that is enduring about it, that is permanent? Certainly in Newfoundland, while we are glad to have these millions circulated amongst our civilian population—4,000 or 5,000 of them are employed full time on these American bases—while we are glad to have them, there is at the same time in us a feeling that should anything happen, should peace break out, as they say, and the Americans decide that they

[Mr. Smallwood.]

could no longer afford the luxury, or did not want to afford the luxury of maintaining these great bases in Newfoundland, 4,000 or 5,000 of our breadwinners could suddenly find themselves on the street, and the \$20 or \$30 million circulated annually could dry up and disappear. That is not permanent.

Similarly we are glad indeed, as I suppose every provincial government is glad, that the great government of our nation sees the necessity and the wisdom of employing several thousand of our citizens in the federal public service in the province of Newfoundland. We are glad that the Canadian National Railways employ several thousand more. And goodness knows we appreciate, as new Canadians, the common heritage of all Canadians, the Family Allowances, Old Age Pensions, Unemployment Insurance and those other social transfer payments. These are good, but they do not build a sound economy. They do not make an enduring prosperity. The only thing we believe that can do that is the development of natural resources, the basic wealth of Canada, as they are found in Newfoundland. And I would assume that the same thought would apply equally in all of the other nine provinces.

Certainly when Premier Frost told us today that almost \$15 billion of new capital has been invested in his province since 1945, since the end of the war, he pointed very well the moral I am trying to make. Because of that investment in Ontario in these ten years the population of Ontario has increased 1,255,000. Ontario is a little nation, numerically speaking and economically speaking, a little nation itself, as is great Quebec. Ontario has had 3,000 or more new industries since the war ended. Quebec has had an equal number. These are two nations in themselves. Fine; that is good, but that does not make a great Canada. It makes a great upper Canada; it makes a great central Canada, but not a great Canada.

You cannot have a great Canada if Newfoundland is not great, and Saskatchewan and Manitoba, and the island province of Prince Edward Island, and Nova Scotia and New Brunswick. These are the weaknesses in the Canadian chain today; these are the weak links.

If great Canada with her \$2 billion, \$3 billion, \$4 billion of revenue and expenditure a year can afford to send 30-man teams to within 600 miles of the north pole looking for coal, surely she can afford to spend \$6 million, \$8 million or \$10 million in Newfoundland, and another like amount in Nova Scotia, in New Brunswick and in those other provinces.

When Newfoundland was trying to make up its mind to come in as a province of Canada, her spokesman, the present Senator Bradley, who was the chairman of the first Newfoundland delegation that approached the Government of Canada, spoke in this city, and in this building; he outlined the purpose of the visit of the seven of us and said that Newfoundland was not coming to Canada hat in hand. He said that Newfoundland was not coming to Canada seeking economic crutches; that if Newfoundland did decide, if she got fair and equitable treatment and then in a popular secret vote the people decided to become a province, it would be with the feeling that that old, that ancient land, that honourable and ancient people, the first of Britain overseas, Britain's most ancient and loyal colony, in throwing up that ancient and honourable tie to become Canada's new and baby province, did so because they thought they could carry their own part of the burden and contribute to Canada rather than be a burden on Canada.

Now, that can happen only if we have natural resources, and only if these are mapped and blue-printed, and only if these are actually developed. We do not ask the Government of Canada to put up the money to develop them. We do not go as far as my friend the Premier of New Brunswick, not that we will refuse. We will not stand in New Brunswick's way. What we do ask is that Canada, as Canada, help us, take a chance on us, do a little gambling on Newfoundland, a little speculating. Ontario does not ask that because she does not need it, nor does Quebec, nor does Alberta, nor does British Columbia.

The making of your first million is the hard part, Mr. Prime Minister. But after you have made your first million it becomes a lot easier to make the second, and after you make the second two and two make four and four make eight.

The difficult thing for a province, especially a far off province, an unknown province, a province that to the bankers and financiers sometimes must appear to lie just close beside that north pole, the difficulty there is getting the first eight, ten or twelve mines operating, the first ten or twelve mills established, the first fifteen or twenty factories operating. After that it become easier, as Alberta has found. The job is to get the first, to get the first trickle coming in, and that is all we ask Canada to do. If Canada will do that, be unorthodox about it, be unconventional, untrammelled, untraditional, revolutionary, novel, gambling, speculating with the public money, if they will do that—I think it is a speculation; I admit that, but I say it is a speculation in the interests of making that part of Canada strong—if Canada will do that, we will do the rest.

Finally, one thing I have learned in attending these conferences, my colleagues and I, is the truth, the great truth in the words of Sir Wilfrid Laurier. I read them in a brief prepared quite a number of years ago for the Government of Nova Scotia. They quoted these words. I think Nova Scotia was arguing at the time that there ought to be some revision of the terms of Nova Scotia's entry into the federation. They quoted Sir Wilfrid Laurier to this effect, that there is no finality in the terms of Confederation. If we have learned anything we have learned that, because ever since we have been coming to these conferences for the last six years the whole job lying before us—whether we have accepted it or not is another matter—the job for which we have met is to prove the truth of Laurier that there is no finality in the terms of union.

The Chairman (Mr. St-Laurent): Well, gentlemen, there is no finality in the terms of union but there has been finality now in our general statements, and we have to determine what will be the next step. Perhaps the most convenient way to deal with that would be to meet in committee in the morning and there decide how we shall proceed to give serious consideration to these views, which must be admitted to be contradictory sometimes, and how we are going to attempt to find some means that will be acceptable as a non-final solution of a problem that is constantly going to have to be reviewed by the provincial and federal governments as this country progresses and as its development makes it possible for us to improve our standards of social welfare, security and living, because, as the circumstances make that possible our public is going and require more and more services that will have to be provided for in the proper allocation of the taxes that they will be willing to pay as a price for those additional services.

[Mr. Smallwood.]

If it is convenient to meet in the morning as a committee in camera where we will with a little more freedom to consider these matters without feeling that we are being committed in anything we say then to a definite line of thought, we shall probably be able to make some progress. What hour would suit the delegates? I am afraid that if we go into another room there will not be room for all of us who are here, and I am sure that those who have accompanied the ministerial delegations have contributions that they can make or have made. It would be unfortunate, if we went into another room where there was no space for all.

As to those who are sitting in the galleries they will get our communique when we shall have achieved some concrete results.

We shall adjourn until ten in the morning in camera. In the meantime, those who are making the arrangements here will make it known that only the persons to whom tickets have been issued shall be expected to attend.

The Conference adjourned at 10.12 p.m.

APPENDIX "A"

FEDERAL-PROVINCIAL MEETING ON UNEMPLOYMENT ASSISTANCE

(June 20th and 21st, 1955)

Press Communique

At the conclusion of the meeting held on June 20th and 21st it was announced that the provincial and federal representatives had discussed several suggestions for sharing the costs of providing assistance to the unemployed persons in need. These suggestions arose out of the consideration of the general proposal put forward by the Federal government at the Conference late in April and took into account the facts and figures assembled since that time. The provincial representatives have decided to consider with their governments the modified proposal made to them that the Federal government accept one half of the cost of relief for the number of those in need in each province in excess of 0.45 percent of the population of the province. This 0.45 percent of the population proposed as the starting point for federal sharing is taken as a measure of the basic load of those in need because they are unemployable, and would make it unnecessary for the Federal government to make any distinction between payments to persons who are employable and those who are not employable. Special consideration will be given to the problem arising in any province where the load of unemployable persons receiving assistance has normally been below this level of 0.45 percent.

Public investment and other measures that would help to maintain employment at a high level will be considered at the October Conference and preparatory discussions on these subjects as well as other items on the agenda will take place at a meeting of the Preparatory Committee of provincial and federal officials early in July.

OTTAWA, June 21st, 1955.

APPENDIX "B"

June 21, 1955.

BASIC DETAILS OF PLAN FOR ASSISTANCE FOR UNEMPLOYED

- 1. The Federal government proposes to share with the provinces the cost of assistance paid to those who are unemployed and in need. Because of the difficulty of distinguishing in individual cases between employable and unemployable persons, the Federal government proposes that it will not share in the cost of a certain minimum amount of this assistance, but will share in the cost of relief beyond this minimum without examining whether it is paid to employable individuals or those who are not employable.
- 2. It is understood that payments would be made by municipal or provincial authorities or by agencies acting for them. These authorities would determine the scale and condition of payments, including the means test.

- 3. Records would be kept of the number of persons receiving assistance each month, including dependants, and the amounts paid to each of them. These records would be subject to test audits by provincial and federal authorities.
- 4. A count will be made of the number of persons receiving assistance in each province in each month, including their dependants. This case count will be the basis for determining the point at which the federal share in expenditures commences.
- 5. Those receiving assistance under Mothers Allowance legislation would be excluded from the case count and the payments to them excluded from the total of assistance payments. In any province where the total number of cases receiving mothers allowances (including dependants) as a proportion of the population of the province, is less than the proportion it was, averaged over a year for any year since March 31st, 1945, by more than $0\cdot10\%$ of the population, the amount of such excess over $0\cdot10\%$ shall be subtracted from the count of assistance cases, as a proportion of the population, in calculating the federal assistance for any month in any province.
- 6. Those receiving assistance under special provincial legislation will be included in the case count, and the payments to them will be included in the total of assistance payments, if and to the extent that such assistance is recognized in the agreement with that province as being roughly equivalent to what other provinces do as part of their general assistance measures.
- 7. Those in public or private institutions would as a general rule be excluded from the count of cases receiving assistance, and payments to or on behalf of them will be excluded from the total of assistance payments.
- 8. Those receiving payments to which the Federal government contributes under other legislation, and payments to them, will be excluded from the plan.
- 9. Payments for medical, hospital and dental care, or for burial, will be excluded from the total of assistance payments to be shared. Payments for transportation expenses will only be included under conditions to be specified in agreements.
- 10. The total of assistance payments in a province for each month, adjusted if necessary in accordance with the paragraphs above, would be divided by the number of persons receiving assistance that month in that province, including dependants, adjusted if necessary in accordance with the paragraphs above, to get the average assistance payment per person for that month.
- 11. The number of persons receiving assistance in the province for the month, adjusted if necessary in accordance with the paragraphs above, would be divided by the estimate of population of the province for the preceding June 1st to get the percentage of persons receiving assistance in that province for the month.
- 12. If the percentage of persons receiving assistance in a province in any month does not exceed 0.45% of the population of that province, the Federal government will not contribute toward the assistance payments in that province for that month.

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- 13. If the percentage of persons receiving assistance in a province in any month is in excess of 0.45% of the population of that province, the federal government will pay to the province an amount equal to the number of cases in excess of that 0.45% of the population of the province multiplied by one half of the average assistance payment per person in that province for that month.
- 14. The details regarding this plan for sharing in the cost of assistance to the unemployed will be embodied in agreements with each province joining in the plan. These agreements will be drawn up following the present meeting and discussed at a subsequent meeting of Ministers. The effective date of the commencement of the sharing arrangement in each province shall be specified in the agreement with that province; it shall not in any case be earlier than July 1st, 1955.

APPENDIX "C"

The following is the English translation of a speech delivered in French on the date indicated.

Ottawa, October 3, 1955.

Rt. Hon. L. S. St-Laurent (Prime Minister of Canada): I wish to extend a most cordial welcome to each and every representative of the provincial governments. In a federal state, and more particularly in times such as these, it is impossible to allot jurisdiction and responsibility in such a way that the various levels of administration can ignore each other. Intergovernmental relations are inevitable and that is why such meetings as this one are desirable. However, they will only serve a useful purpose to the extent that representatives of the various government involved take part in them in a spirit of frank co-operation and conciliation. Failing that, our federal system would be lacking in that element of balance which is so necessary. I am convinced that all those present here are permeated with that spirit and that it is in an atmosphere of harmony and mutual understanding that we shall take up the problems arising from the rapid development of our country, and with which our respective governments are faced.

APPENDIX "D"

THE ONTARIO GOVERNMENT'S SUBMISSION
TO THE DOMINION-PROVINCIAL CONFERENCE, OCTOBER 3, 1955

STUDY DOCUMENTS

(i) DIAGNOSTIC SERVICES

Introduction:

The continuous advances in medical research produce new diagnostic aids for the use of the medical profession. Many of these are beyond the field of the general practitioner with the result that they are provided in hospitals or

by the provincial laboratories. The situation is such that, not only is the patient required to pay a substantial sum for the basic hospital services, but

continually increasing amounts to hospitals for diagnostic services.

Insuring organizations recognize this problem, but most meet it inadequately. The result is that, despite the desire of the provident individual to provide adequate coverage for a serious illness, he is confronted with this constantly increasing charge which can too often present a serious financial problem. It is to reduce this burden that payment of a significant part of the cost by governments is suggested.

1. Purpose

(1) To encourage early diagnosis.

- (2) To make diagnostic services more readily available to providing them as an "insured benefit", subject only to a nominal charge.
- (3) To improve the standard of diagnostic services and extend their distribution throughout the province.

2. Description

Under such a program, diagnostic services, including radiological examinations and laboratory tests, could be made available as a benefit to all residents of the province on the payment of a nominal fee.

In arranging payments for services, the following factors should be borne in mind:

(1) They must meet actual cost of services.

(2) They must encourage rising standards of services.

In order to assure services of uniform quality and availability throughout the province, it will be desirable to organize the program on a regional basis.

3. Costs

Estimates of costs of a diagnostic services program are based on three factors:

(1) The present cost of operating laboratory and radiological departments in all hospitals in Ontario as reported in the 1954 returns. These are:

- (2) An increase sufficient to cover costs not allocated in the present returns.
- (3) An additional allowance to provide for improved facilities, added personnel, and increased volume of services.

The total cost is estimated to be approximately \$16,300,000 or \$3 per capita.

4. Methods of Financing

The cost of a diagnostic services program cannot be met from insured contributions unless the programme is introduced simultaneously with the hospital services programme. The costs are not large enough to warrant collection of separate premiums. The programme will, therefore necessarily be financed from three sources:

(1) Patient payments

In order to provide some brake on the demand for services, it is probably necessary that patients be required to make a nominal payment. In order not to overwhelm the services with minor procedures, 64003—8

it would seem desirable to set up a minimum patient payment of \$1.00. For services costing \$2.00 or more, the patient might pay one-half to a maximum of, say, \$10.00. It is estimated that this source would yield provincial revenue equal to approximately one-sixth of the cost of the service, or \$2.7 million.

(2) Contribution of the Federal Government

At the present time, the Federal Health Grant to Ontario for laboratory and radiological services amounts to \$2,000,000. This represents 40c per capita. On the basis, however, of an estimated cost of \$3.00 per capita, the Federal 60 per cent share would be \$1.80 per capita, requiring a total Federal contribution of approximately \$9,800,000.

(3) The residual cost to be met by the Provincial Government

The estimated residual cost to be met by the Provincial Government would be \$3,800,000. As suggested, this is not a sum which should be raised by a direct, ear-marked tax and would therefore have to be met from consolidated revenue.

5. Personnel

Both radiological and laboratory services presently suffer from chronic shortages of professional and technical staff. Since the demand for these services is likely to rise once the economic barrier has been removed, and since the government will necessarily want to improve the standard of service, it is essential that these shortages be overcome. Higher salaries will help to attract more personnel, but the major handicap is the length of time required for training. The introduction of a diagnostic services program should be accompanied by expansion of training facilities and the recruiting of additional candidates for training.

(ii) HOME CARE PROGRAMME

1. Purpose

- (a) To provide selected patients with a hospital type of service in their homes, thereby assuring more beds for the acutely ill.
- (b) To reduce the length of stay of patients in hospitals.

(c) To provide essential care at minimum cost.

(d) To reduce the demand for construction of new, expensive hospital facilities.

2. Description

A home care programme provides certain hospital services to selected patients in their own homes. A minimum home care programme might include only occasional visits from the doctor and from the visiting nurse. An ideal home care programme makes available to the patient in his home almost the entire range of special services that the modern hospital provides. It requires selection of patients whose home conditions are suitable, and whose illness or stage of illness no longer requires hospital services that cannot be taken to his home. A home care programme is based on the premise that certain hospital services need not be restricted to the confines of the hospital, and that there are advantages to the patient and the insurance programme alike when the patient can be adequately cared for at home. There are economic advantages with respect to the cost of

room and board and the cost of maintaining complex services which these selected patients do not require. It has been estimated that from 5-10 per cent of a hospital's daily census of patients can be treated through a home care programme. A home care programme could thus make available a significant number of beds for the acutely ill at no capital cost.

3. Method of Administration

Administration of the services might be undertaken by hospitals and health authorities. Each programme would require a medical director on a full- or part-time basis. The services to be provided would include those of doctors, nurses, physiotherapists, medical social workers, etc. In some cases, it would be necessary to provide housekeeping services, but this might best be left for voluntary welfare agencies. Nursing services would probably be contracted for with such agencies as the Victorian Order of Nurses and the Order of St. Elizabeth. Costs of medical care would be borne by the patient unless the patient were indigent, in which case payment would be made by the Provincial Medical Welfare Plan.

4. Costs

The experience of the Montefiore Hospital Home Care Program in New York indicates that the costs of a home care programme might approximate \$3.50 per patient day. In that programme all medical services are provided by doctors and internes on the staff of the hospital. In Ontario only part of the medical services would be thus provided.

To estimate the total costs of such a programme is extremely difficult since these will depend upon the speed with which hospitals and community agencies launch the programme locally and upon the co-operation of hospitals, the medical profession, and patients in making use of this alternative service. All that can be done is to present maximum estimates beyond which it is unlikely that the cost would go.

Because of the factors cited above influencing the development of such programmes at the local level, together with the current shortage of nursing and allied personnel, an estimate of \$1.00 per capita now seems reasonable, although the 1945 Proposals estimated the cost of "Visiting Nurse Services" at \$1.75 per capita.

5. Method of Financing

Like the costs of the Diagnostic Services Program, the costs of a Home Care Programme cannot be met from insured contributions unless the programme is introduced as part of the Hospital Services Plan. Therefore, the costs must be met from Federal contributions and Provincial Consolidated Revenue.

In the beginning, the grants for home care progremmes would appear as an additional cost item, but the long run expectation is that extension of home care programs would obviate, to some extent, the need for additional, expensive hospital beds.

(iii) ASSISTANCE TOWARD EXTRAORDINARY HOSPITAL COSTS

One of the steps in a comprehensive hospital care programme is the provision of financial assistance toward the costs of long-term hospitalized illness.

Such a programme would direct assistance where it is most necessary, that is, where costs become greater than most individuals can afford, and at that point where most insurance benefits have been exhausted. A programme of such extended benefits might begin to reimburse patients for essential care related to each illness, whether in general, convalescent, or chronic care hospitals in excess of, for example, 50 days.

A review of the statistics of utilization in Ontario hospitals in 1951 (The Ontario Hospital Morbidity Study) indicates that in general hospitals 1.9 per cent of patients (12,315) remained in hospital 49 days or more, and accounted for 20.5 per cent (1,257,348) of all days.

The average length of stay of these patients was 102 days. Therefore, the average length of stay in excess of 50 days was 52, or a total of 640,380 days. This represents slightly over 10 per cent of all days of care in general hospitals.

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Cases and Days of Care by Length of Stay
Discharges and Deaths, Public General Hospitals, Province of Ontario, 1951

TABLE I

Length of Stay	Cases	Days of Care
Admitted and discharged		
same day (stillbirths)	. 1,901	. 0
1 - 3 days		293,164
4 - 7 days	'	1,378,313
8 -10 days		844,863
11-13 days	10 110	475,572
14-20 days		693,563
21-27 days		437,561
28-34 days		322,138
35-41 days	· ·	235,082
42-48 days	1011	193,852
Sub-total	. 632,998	4,874,108
49-55 days	. 2,787	144,230
56 days-3 months	. 5,901	407,747
3 - 6 months		336,799
6 -12 months		157,032
1 year and over	. 230	211,540
Sub-total	. 12,315	1,257,348
Total	. 645,313	6,131,456

Costs

With the benefits described above, available in general, convalescent, and chronic care institutions, costs in 1957 might be estimated in this way.

(1) 11 per cent of the costs of the general hospital and convalescent hospital benefit (11% of \$101,600,000) \$11,176,000

(2) 100 per cent of the chronic care benefit 10,600,000

Total\$21,776,000

This represents approximately 20 per cent of the cost of the general, convalescent and chronic care benefit.

Financing

Like the other steps of the comprehensive plan, the costs of this benefit are also not large enough to warrant separate premiums. It would therefore be financed from Federal contributions (60 per cent) and from Provincial consolidated revenues (40 per cent).

Advantages

- (1) Importance of financial assistance for persons with long-term illness.
- (2) Relative ease of administration, although all cases would be subject to medical review.
 - (3) Relatively low cost, in relation to that of a total programme.

While this approach is specifically directed to the catastrophic costs arising from hospitalization, it is also recognized that medical and other costs are involved. The matter of medical costs might also be studied.

(iv) MATERNAL AND NEWBORN HOSPITAL CARE

An important step in the introduction of a comprehensive hospital care plan would be a programme of benefits covering a major share of the costs of hospital care for normal and abnormal obstetrical cases, and the care of the newborn.

1. Purpose

- (1) To reduce maternal and newborn morbidity and mortality by assuring adequate obstetrical and newborn hospital care.
- (2) To reduce the economic impact of maternal and newborn hospital care by paying a substantial part of the hospital bill.

2. Description

A maternity hospitalization programme would extend to all maternity patients resident in the province, and their new-born infants, hospital care benefits that would vary in duration according to need. For the normal obstetrical case oronormal newborn, the maximum benefit might be limited to, say, five days. For obstetrical cases classified as abnormal, and for those newborn infants requiring specialized hospital care, the benefit days would be extended.

Payments to hospitals would be based on full costs; but patients would be expected to pay the "deductible" and the "co-insurance" charges referred to in the Comprehensive Plan.

Among the advantages of a programme of maternal and newborn hospital care are:

- (1) The relative ease of integration into the comprehensive plan at a later date.
- (2) The relative ease of administration.
- (3) The desirable public health gains to be expected through adequate hospital obstetrical care for all mothers and newborn.
- (4) The relatively modest scale of costs in comparison with the costs of a total programme.

3. Costs

Costs of a Maternal and Newborn Hospital Care Plan can be based on the estimates of a total programme. Maternity and newborn days of care for previous years are available. Assuming that infant costs are about one-third of standard ward care, the costs of maternal and newborn care would amount to approximately 15 per cent to the costs of a total programme. On his basis, annual costs would be about \$12,500,000 in 1956.

4. Financing

Although an important measure from both the public health and economic points of view, the costs of such a programme are also not large enough to warrant separately collected premiums. With Federal sharing of 60 per cent. estimated, \$7,500,000) the residual costs to the Province would be approximately \$5,000,000, which would be met from consolidated revenue and from payments by patients.

(v) A COMPREHENSIVE HOSPITAL SERVICES PLAN

A program of hospital care insurance on a province-wide basis necessarily embraces several types of services. Experience has shown that a programme of insurance for general hospital care alone creates unwarranted demands for that one kind of expensive service. The consequence is mounting pressure for construction of general hospital beds, beyond the number strictly necessary for treatment of the acutely ill.

Accordingly, it is believed that a balanced hospital insurance programme should include a wider range of services, in order that patients may obtain the care they specifically require and that essential care may be given at the lowest possible cost consistent with quality. Hospital services should also include, therefore, out-patient diagnostic services, care in convaslescent hospitals and hospitals for the chronically ill, as well as home care programmes where these can be organized.

It is also believed that a system of in-patient services must be conceived more broadly than care in general, convalescent, and chronic hospitals, and should include as "insured services" necessary care in mental and tuberculosis hospitals. There are two reasons for this view. First, from the point of view of the patient, there should no longer be any distinction between these various

types of hospitals. Second, the time is long past when the care of patients suffering from mental illness and tuberculosis should be considered as a responsibility belonging solely to the provinces. When the Federal government indicates its willingness, as it has, to share in the cost of a national health insurance plan, those costs should include the costs of our mental hospitals and tuberculosis sanatoria. In the past, when these types of care were primarily custodial, it may have been justifiable to leave the sole responsibility for mental and tuberculosis hospitalization to the provinces. Now, however, with advancing techniques of treatment, it seems wholly arbitrary to maintain artificial distinctions between the costs of treatment of mental and tubercular illnesses and those of all other types.

A comprehensive hospital services plan would desirably include, therefore:

- 1. In-patient and out-patient diagnostic services.
- 2. In-patient care in general, convalescent, and chronic hospitals.
- 3. In-patient care in mental hospitals and tuberculosis sanatoria.
- 4. Home care services.

A programme of such magnitude is, of course, an expensive one. If it is assumed that the per diem costs of hospital care rise by 5 per cent annually, the total costs of such a programme for Ontario would amount, if all the new services were added by 1957, to approximately \$169 million. (See Table 1A). If such costs were to rise 10 per cent per year, the total would be as much as \$188 million, as suggested in Table 1B. It might be pointed out that in the five year period 1948-1953, per diem costs in Ontario hospitals rose by 59 per cent, an annual increase of nearly 12 per cent each year over the 1948 figure. With an increasing population, rising utilization of services, and increasing costs of providing care, larger expenditures for these items in the future can be anticipated.

TABLE 1A

Estimated Costs Of A Comprehensive Hospital Services Plan For Ontario
Assuming That Per Diem Costs Of Hospital Care
Increase By 5 Per Cent Annually

Services	1957	1958	1959	1960
		(\$1,	000's)	
Hospital Services				
General	100,000	109,200	119,000	129,300
Convalescent	1,600	2,800	4,200	5,800
Chronic	10,600	12,200	13,900	15,800
Mental	28,000	31,000	34,000	38,000
Tuberculosis	7,000	7,000	7,000	7,000
Diagnostic Services	16,300	16,600	16,900	17,300
Home Care Programmes*	5,400	5,500	5,600	5,800
		-		
TOTAL, ALL SERVICES	168,900	184,300	200,600	219,000

^{*}Estimated at \$1.00 per capita.

These estimates are based on 1954 operating costs and assume annual increases in use of services, in costs of care, and in population, but a gradual reduction of length of stay in general hospitals.

TABLE 1B

Estimated Costs of A Comprehensive Hospital Services Plan For Ontario
Assuming That Per Diem Costs of Hospital Care
Increase By 10 Per Cent Annually

Services	1957	1958	1959	1960
		(\$1,0	000's)	
Hospital Services				
General	117,800	135,500	155,200	177,200
Convalescent	1,800	3,400	5,400	7,600
Chronic	12,100	14,700	17,600	20,900
Mental	28,000	31,000	34,000	38,000
Tuberculosis	7,000	7,000	7,000	7,000
Diagnostic Services	16,300	16,600	16,900	17,300
Home Care Programmes*	5,400	5,500	5,600	5,800
TOTAL, ALL SERVICES	188,400	213,700	241,700	273,800
Diagnostic Services	16,300 5,400	16,600 5,500	16,900 5,600	17,300 5,800

^{*}Estimated at \$1.00 per capita.

These estimates are based on 1954 operating costs and assume annual increases in use of services, in costs of care, and in population, but a gradual reduction of length of stay in general hospitals.

Not all of these costs would represent new expenditures. Ontario is currently making very substantial outlays for a number of these services, particularly for general and mental hospitals and the sanatoria. The following table shows these expenditures for the current three year period. These items would necessarily be deducted from the totals shown above in arriving at an estimate of the net additional expenditures necessary for new services.

TABLE 2A

Provincial Expanditures For Hospital Services

1 TOVINCIAL EXPENDITURE	es I of Hospital	Del vices	
	Actual	Estimate	Estimate
Type of Hospital	1954-5	1955-6	1956-7
	\$	\$	\$
Public Hospitals	11,947,375	13,310,000	13,715,000
Tuberculosis Sanatoria	6,723,709	6,547,685	6,507,685
Mental Hospitals	23,135,720	25,320,780	27,873,755
	41,806,804	45,178,465	48,096,440
Less recoveries from			
Federal Government	2,075,037	2,033,940	2,035,940
NET PROVINCIAL SUBSIDY	39,731,767	43,144,525	46,060,500

It can therefore be assumed that the launching of a hospital services programme of this scope would represent an approximate increase of between \$120 million and \$140 million in Ontario's expenditure in 1957. This increase would be roughly equivalent to 35 per cent of the Province's 1955-1956 budget of ordinary expenditure.

Nor are these the only expenditures to be considered, for Ontario has made very substantial capital expenditures for hospitals, particularly in the past few years. In addition to the mental hospitals, for which the Province has assumed responsibility, Ontario has made large grants to general hospitals and tuberculosis

sanatoria. This program was introduced in 1946, and was supplemented by Federal Grants in 1948. Total expenditures for capital purposes since 1946 are as follows:

TABLE 2B

Provincial Expenditures for Construction And Capital Improvements Of Hospitals, Ontario, 1947-1955.

	1947-48 to 1953-1954		
	(7 years)	1954-1955	Total
	\$	\$	\$
Public Hospitals	53,013,672	15,473,945	68,487,617
Tuberculosis Sanatoria	2,664,928	138,250	2,803,178
Mental Hospitals	25,529,479	8,644,694	34,174,173
	81,208,079	24,256,889	105,464,968
Less recoveries from			
Federal Government	15,019,849	2,526,844	17,546,693
NET PROVINCIAL GOVERNMENT			
EXPENDITURES	66,188,230	21,730,045	87,918,275

Because of the magnitude of the expenditure involved, and the complexity of the administration of health services, certain conditions are essential in the introduction of such a programme.

(1) There must be Federal sharing of costs, desirably at the level proposed in 1946, namely, sixty per cent.

(2) Federal sharing should relate to all costs and not merely to net increases in expenditure.

The provincial share of the costs will necessarily be financed by the levy of direct, new taxes in the form of payroll deduction for employees and premiums for self-employed, and through additional charges on the Consolidated Revenue Fund.

Such a programme must necessarily be introduced in stages over a period of time.

An outline of a comprehensive hospital services plan exclusive of diagnostic services and home care follows.

1. Purpose:

- (a) To remove the economic barrier to hospital care by making hospital services at a standard ward level available on a prepaid basis to all residents of the province, regardless of their location of residence, condition of employment, health status, or age.
- (b) To provide such benefits in active treatment, convalescent, and chronic care hospitals and in mental hospitals and sanatoria.
- (c) To help solve the financial problems of hospitals by paying full operating costs for all insured services.

2. Description:

A universal hospital care insurance programme would extend to all residents of the province more extensive benefits than those now available to a part of the population through voluntary insurance. The basic benefit would be provided at a standard ward level, and care would be available when medically

necessary in several types of hospitals, general convalescent, chronic and mental hospitals, and sanatoria.

Convalescent and chronic hospital care benefits are essential in an over-all hospital care plan to accomplish two purposes:

(1) To provide the special type of treatment that convalescing and chronically ill patients require (and it is in this latter area that needs are becoming greater).

(2) To prevent overcrowding and therefore the unwarranted expan-

sion of general hospital facilities.

Convalescent and chronic care benefits would become available to patients for whom active general hospital care would no longer be essential but who would profit from specialized types of treatment.

Several types of administering a hospital care insurance programme are available. Among these are the following:

- (1) Administration through voluntary prepayment plans and commercial insurance companies.
 - (2) Administration by one insurance carrier by contract.
 - (3) Administration by the Hospital Association.
 - (4) Administration by a government agency.

The primary administrative tasks are two:

- (1) To collect premiums from all beneficiaries.
- (2) To pay hospitals adequately for all insured patients.

The second of these is a technical administrative matter that presents no special difficulties.

The first, however, presents problems that require serious consideration. Collection of premiums from employed persons can be achieved by the method of pay-roll deduction. Payment of premiums for indigent persons can be administered by the municipalities which, under an insurance programme, would likely be relieved of certain costs of indigent hospital care. But payment of the premiums by self-employed persons is more difficult. It would be desirable to introduce this stage in two steps:

- (1) (a) Insure all persons where pay-roll deduction can be implemented, and all indigents. (b) Insure all others who wish to join the plan, voluntarily.
- (2) Later, when the machinery has been established, insure all residents.

3. Costs

(1) General Hospital Care

Costs of a hospital care programme are not easy to estimate, because they are subject to factors which are unpredictable or uncontrollable. These are:

- (a) The cost of a unit of service. The average cost of a day of hospital care depends upon the amount of service given, the salaries of hospital personnel, and the cost of such items as food, drugs, and laundry. If these costs increase so will the total cost of the programme.
- (b) The rate at which the population uses such services, that is, the number of cases hospitalized annually for every 1,000 persons. This rate has been rising constantly in the past and is higher for insured persons than for uninsured persons.

- (c) The average length of time patients remain in hospital. It is assumed that with provision of convalescent and chronic care benefits, and advancing medical knowledge, the average length of stay in general hospitals will gradually decline.
- (d) The growth of population. As the population grows, so will the demand for hospital care expand; but at the same time, however, so will its capacity to pay.

The following four assumptions have been taken into consideration in preparing two separate estimates of general hospital costs:

- (1) Average annual increases in per diem costs of (i) 5 per cent and (ii) 10 per cent.
- (2) Average annual increases in hospital utilization of 5 cases per 1,000.
- (3) Utilization of hospitals by previously uninsured persons at the same rate as previously insured persons when the programme is introduced.
 - (4) Annual population increases of 120,000.

These same factors have been used in estimating the costs of convalescent and chronic care, with one exception: the days of care in these institutions have been estimated on the basis of actual beds available and, for the future, on the assumption that 1,000 chronic and convalescent beds would be added annually in 1958, 1959 and 1960.

Table 3A assumes annual increases in per diem costs of 5 per cent. Table 3B assumes annual increases in per diem costs of 10 per cent. Both tables exclude the costs of diagnostic services and of hospitalization provided through Workmen's Compensation.

TABLE 3A

Estimated Annual Costs of a General Care Programme (excluding Diagnostic Services) for Ontario, Assuming that Units Costs of Care Increase by 5 Per Cent Annually 1954-1960

Based on Actual Beds Available, 1954-1957, And Minimum Bed Increases, 1958-1960 General

	Hospi	ital Care	Convale	escent Car	e Chr	onic Care	Tota	l Cost
	Per		Per		Per			
	Capita	Total	Capita	Total	Capita	Total	Per	Total
	Cost	Cost	Cost	Cost	Cost	Cost	Capita	Cost
	\$	$(\$1,\!000\mathrm{'s})$	\$ ((\$1,000's)	\$	(\$1,000's)	\$	(\$1,000's)
1955	 14.77	76,553	.27	1,424	1.61	8,369	16.65	86,346
1956	 15.85	84,084	.28	1,496	1.78	9,454	17.91	95,034
1957	 18.46	100,035	.29	1,571	1.95	10,561	20.70	112,167
1958	 19.75	109,237	.51	2,847	2.20	12,189	22.46	124,273
1959	 21.09	119,032	.75	4,249	2.47	13,942	24.31	137,223
1960	 22.46	129,257	1.00	5,780	2.75	15,846	26.21	150,883

TABLE 3B

Estimated Annual Costs of a General Care Programme (excluding Diagnostic Services)
For Ontario, Assuming that Unit Costs of Care Increase by 10 Per Cent Annually,
1954-1960

Based on Actual Beds Available, 1954-1957, and Minimum Bed Increases, 1958-1960 General

	0.0	2201014						
	Hospi	tal Care	Convale	escent Ca	re Chi	onic Care	Tota	1 Cost
	Per		Per		Per			
	Capita	Total	Capita	a Total	Capita	Total	Per	Total
	Cost	Cost	Cost	Cost	Cost	Cost	Capita	Cost
	\$	(\$1,000's)	\$	(\$1,000's)	\$	(\$1,000's)	\$	(\$1,000's)
1955	 15.64	81,062	.29	1,492	1.69	8,760	17.62	91,314
1956	 17.73	94,058	.31	1,641	1.96	10,374	20.00	106,073
1957	 21.74	117,809	.33	1,806	2.24	12,137	24.31	131,752
1958	 24.49	135,454	.62	3,428	2.65	14,667	27.76	153,549
1959	 27.50	155,210	.95	5,357	3.11	17,576	31.56	178,143
1960	 30.79	177,196	1.33	7,640	3.64	20,941	35.76	205,777

Mental Hospital Care and Tuberculosis Care

Cost estimates of these two programmes are based upon the Ontario Department of Health expenditures. Fortunately, in respect of tuberculosis, it is possible to make the assumption that costs will remain steady or even decline. For mental hospital care, however, the prospect is one of rising expenditures.

TABLE 3C

Estimates of Costs of Hospital Services in Mental Hospitals and Tuberculosis Sanatoria, Ontario, 1956-1960

Hospitals Services	1956	1957	1958 (\$1,000's)	1959	1960
Mental Hospitals	25,500	28,000	31,000	34,000	38,000
Tuberculosis Sanatoria	7,000	7,000	7,000	7,000	7,000

Methods of Financing

In financing a hospital care plan it is assumed that the Federal government will contribute 60 per cent of costs. Even with this contribution, the Province's share will be so large that new sources of revenue will have to be tapped. There appears to be a strong body of opinion supporting the view that health insurance should be "contributory". It is proposed to finance the Province's share of a hospital services plan in part, from direct personal premiums. Such premiums could be fixed at either a universal rate for all beneficiaries or adjusted to individual incomes. Among other revenue sources for a hospital services plan, are payments made by patients at the time of receiving services, and payments made on their behalf by other agencies.

In order not to overwhelm the hospitals at the beginning of the programme, it appears desirable that patients pay a small sum when admitted (a "deductible" as in automobile insurance) and also, perhaps, a small payment for each day of stay (co-insurance). Such co-insurance payments would be smaller, of course, in convalescent and chronic units in order to offer an economic incentive to use lower cost facilities when it becomes medically possible to do so.

Payments now made by municipal governments for indigent hospital care are excluded from this list, since it is assumed that municipalities would use part of these funds to pay the premiums for those for whom they are responsible.

Payments by Workmen's Compensation are also excluded since Workmen's Compensation days of care have been deducted from the estimates of the cost of the plan. The various sources of revenue may therefore be summarized as shown below, and a number of alternative combinations are possible.

(1) Payments by subscribers:

Personal Premiums—Payable to the Province.

(2) Payments by patients at time of receiving services, for example: A nominal charge for diagnostic services.

A small "deductible" for admission to hospital.

A small "co-insurance" charge for each day of care.

(3) Federal Government contributions:

Diagnostic Services (60 per cent).

For general, convalescent, and chronic hospital care (60 per cent).

Mental and tuberculosis services (60 per cent).

(4) Provincial Government contributions:

Grant in lieu of present Provincial Maintenance Grant.

Payments in lieu of present expenditures for mental hospitals and sanatoria (residual).

Grant for diagnostic services (residual).

APPENDIX "E"

PROVINCE OF NEW BRUNSWICK

PROPOSED FORMULA FOR CALCULATING AN ADJUSTMENT GRANT FOR PROVINCES THAT LACK ADEQUATE TAXABLE CAPACITY TO FINANCE A REASONABLY ADEQUATE LEVEL OF SERVICES

1. Determine the average amount in dollars by which the per capita personal income of each province falls short of 85% of the per capita personal income of Canada for the latest three years for which this information is available.

Schedule 1, attached, sets forth the per capita personal income of all provinces from 1946 to 1954.

2. Determine the ratio that the total revenue collected by all ten Provinces of Canada and their municipalities from local sources bears to the total personal income for Canada for the latest three years for which this information is available.

Schedule 2, attached, shows this calculation for the calendar years 1950-1953. (Provincial figures are for the fiscal years ended the following 31 March in each case.)

- 3. Determine the population of any province entitled to an adjustment grant for the year in which the fiscal year of the province begins. (Census or D.B.S. estimate.)
- 4. Calculate the adjustment grant by multiplying the amount by which the per capita personal income of the province falls short of 85% of the per capita personal income of Canada (See paragraph 1 above) by the ratio determined in the manner outlined in paragraph 2 above and the population of the province for the year in which the fiscal year of the province begins.

Statement 1, attached, sets forth this calculation for the fiscal years ending 31 March 1954, 1955 and 1956.

STATEMENT 1

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[956 UND]	90	Ont.	1		1		I	11	Ī
9K 1955 and	Based on Statistical Averages for Last Available Three Years	Que.	13	7.97%	4,423		10	7.83%	3,436
PROVINCE OF NEW BRUNSWICK ISCAL YEARS ENDED 31 MARCH 1954, 195	Available	N.B.	215	7.97%	9,185		240	7.83%	7,904 10,279
NEW B	es for Last	N.S.	139	7.97%	7,345		150	7.83%	
INCE OF	ical Averag	P.E.I.	310	7.97%	2,619		359	7.83%	2,952
PROV R FISCAL J	l on Statist	Nfld.	368	7.97% 383	11,233		394	7.83% 398	12,278
IT GRANT FO	Basec	Canada	1	11	34,805		1	1 1	36,849
PROVINCE OF NEW BRUNSWICK CALCULATION OF ADJUSTMENT GRANT FOR FISCAL YEARS ENDED 31 MARCH 1954, 1955 AND 1956 UNDER THE PROPOSED FORMULA		Year ended 31 March 1954	Excess of 85% of the personal income per capita of Canada over that of other provinces—1950-1952 (Sch. 1) Percentage of Provincial and Municipal net general revenues from	local sources to personal income —average for Canada—1950- 1951—2 yrs. only (Sch. 2) 3. Population, 1953, thousands 4. Adjustment grant—product of (1).	(2) and (3)—thousands of dollars	Year ended 31 March 1955	1. Excess of 85% of the personal income per capita of Canada over that of other provinces—1951-1953 (Sch. 1)	Average for Canada—1950—1952—3 yrs. (Sch. 2)	(2) and (3)—thousands of dollars.

1956
March
31
ended
Year

	1	11	1
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	4	11	1
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	i	11	ı
	1	11	1
	241	7.81%	6,828 10,503
	128	7.81%	6,828
	370	7.81%	3,121
	395	7.81%	12,710 3,121
	1	1.1	33,162
1. Excess of 85% of the personal	over that of other provinces— 1952-1954 (Sch. 1)	local sources to personal income local sources to personal income average for Canada—1951- 1953—3 yrs (Sch. 2)	(2) and (3)—thousands of dollars

SCHEDULE 1

PROVINCE OF NEW BRUNSWICK

Personal Income of Canada and the Provinces, per capita 1946-1954

Year	Canada	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
1946. 1947. 1948.	794 828 931	111	479 457 548	671 670 691	575 592 633	658 703 773	$934 \\ 974 \\ 1,078$	796 834 975	723 769 971	829 859 1,019	881 916 1,056
1949. 1950. 1951.	949 978 1,117	472 507 571	543 563 612	714 730 782	620 643 729	800 830 930	1,131 1,186 1,323	$972 \\ 987 \\ 1,121$	1,000 892 1,303	1,012 $1,009$ $1,256$	1,079 $1,152$ $1,276$
1952. 1953. 1964.	1,190 1,225 1,193	612 634 638	689 623 648	864 903 917	776 776 795	995 1,046 1,052	1,412 1,469 1,470	1,144 $1,141$ $1,085$	1,405 $1,292$ 867	1,292 $1,286$ $1,152$	1,360 1,431 1,435
Average for the 3 years											
1950-2 1951-3 1952-4	1,095 $1,177$ $1,203$	563 606 628	621 641 653	792 850 895	716 760 782	918 990 1,031	1,307 1,401 1,450	1,084 1,135 1,123	1,200 $1,333$ $1,188$	1,186 1,278 1,243	1,263 1,356 1,409
85% of the personal income of Canada —3 year average											
1950-2. 1951-3. 1952-4.	931 1,000 1,023		111	111	1						
Excess of 85% of the personal income per capita of Canada over that of other provinces—3 year average											
1950-2 1951-3 1952-4	111	368 394 395	310 359 370	139 150 128	215 240 241	13					

PROVINCE OF NEW BRUNSWICK

COMPARATIVE BURDEN OF PROVINCIAL AND MUNICIPAL TAXATION—GEOGRAPHICAL DISTRIBUTION 1950-53

1050 (Puninge 1050-51)	Canada	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
Adjusted net general revenue— Provinces. Municipalities.	523,869 555,512	5,255 $1,124$	2,797	21,520 15,961	19,789 13,093	134,886 150,000	151,206 205,517	23,337	33, 198 40, 239	39,200 46,257	92,681
Total—thousands of dollars	1,079,381	6,379	3,707	37,481	32,882	284,886 3,267	356,723 5,327	59,690 754	73,437	85,457 907	138,739 1,325
Adjusted net general revenue expressed as a percentage of personal income.	8.06	3.65	6.50	7.73	9.59	8.72	02.9	7.92	9.84	9.42	10.47
1951 (Provinces 1951-52)											
Adjusted net general revenue— Provinces. Municipalities.	610,384 625,770	8,609 1,552	3,097	24,117 17,773	26,353 $13,222$	156,851 165,567	174,919 243,006	26,667	36,174 43,424	43,636 50,383	109,961 50,438
Total—thousands of dollars Personal income—millions of dollars.	1,236,154	10,161	4,225	41,890	39,575	322,418 3,772	417,925 6,083	65,944 870	79,598 $1,084$	94,019 1,179	160,399 1,518
Adjusted net general revenue expressed as a percentage of personal income.	7.90	4.93	7.04	8.33	10.53	8.55	28.9	7.58	7.34	7.97	10.57
1952 (Provinces 1952-53)											
Adjusted net general revenue— Provinces. Municipalities.	603,968 699,429	$\frac{10,824}{1,924}$	3,323	$24,924 \\ 21,067$	26,676 15,964	141,679 174,855	197,923 $279,585$	24,484 42,421	40,316	46,071 58,268	87,748 56,440
Total—thousands of dollars. Personal income—millions of dollars.	1,303,397	12,748	4,744	45,991	42,640	316,534 4,153	477,508 6,729	66,905	87,800 1,184	104,339 $1,253$	144,188 1,663
Adjusted net general revenue expressed as a percentage of personal income	7.59	5.57	89.9	8.15	10.45	7.62	7.10	7.33	7.42	8.33	8.67

PROVINCE OF NEW BRUNSWICK—Concluded

COMPARATIVE BURDEN OF PROVINCIAL AND MUNICIPAL TAXATION—GEOGRAPHICAL DISTRIBUTION 1950-53—Concluded

1953 (Provinces 1953-54)	Canada	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
ljusted net general revenue— Provinces. Municipalities	639,230 799,479	12,907 2,218	3,361	26,468 23,017	27,916 18,849	148,141 199,882	210,563 319,172	25,921 46,623	43,644 55,124	50,652 67,225	89,657 65,835
Total—thousands of dollars Personal income—millions of dollars. Adjusted net general revenue expres- sed as a mercentage of personal	1,438,709 18,104	15,125	4,895	49,485	_	0 0			98,768	117,877	155,492
	7.95	6.22	7.42	8.26	11.24	7.80	7.36	7.86	88.88	9.14	8.66
Moving average of 3 years: 1950-51 (2 years only). 1950-52. 1951-53.	7.97	3.93 4.80 5. 61	6.78 6.74 7.04	8.03 8.25 8.25	$10.08 \\ 10.21 \\ 10.75$	8.63 8.25 7.97	6.78 6.90 7.12	7.74 7.59 7.59	8.36 7.99 7.87	8 8 · 50 50 05 · 50	10.52 9.84 9.24

SCHEDULE 2-1

PROVINCE OF NEW BRUNSWICK
COMPARATIVE BURDEN OF PROVINCIAL TAXATION—GEOGRAPHIC DISTRIBUTION
(thousand of dollars)

,515 19,283 1,314 7,887 19,070 184,286 19,311 1,069 6,465 19,676 47,554202 46,521 92,681109,961B.C. includes Yukon 139, 57 144,215 14,799 2,127 45,063 14,765 2,063 49,138 105,62561,98943,636 105,16665,966 39,200 Alta. 90,345 16,513 2,040 4,889 14,306 15,416 2,062 3,359 11,949 36,174 73,922 37,748 33,198 32,78665,984 Sask. 14,568 1,755 2,864 55,003 1,750 2,44345,854 18,174 19.18726,667 23,337 13,981 41,511 Man. 3,641 20,039 128,855 364,423 303,774 174,9193,155 15,393 265,616 114,410151,206Ont. 284,4093,301 27,298277,172 81,797 2,867 19,091 103.75520,321 156.851 134,886 238,641 Que. 46,546 9,287 1,667 3,390 26,353 14,344 1,632 1,98612,48240,697 8,864 19,789 271 N.B. $\begin{array}{c} 11,426 \\ 2,044 \\ 1,207 \end{array}$ 46,498 14,6772,005 1,05721,52038,794 24,117685 14,165S. N 35. 2,278 657 13 2,948 3,097 7,281 2,7892,797 6.045 $2,122 \\ 657$ 586 P.E.I. 5 8,609 7,733 8,069 657 $7,220 \\ 8,040 \\ 383$ 5,255 16.45931,631 643 25,06820,898 NAd. 15. 290,784 26,615 113,307 33,376 270,441 25,300 99,325 31,625 164,082 1,254,637 Total general revenue...... 1,074,466 610,384950,560 523,869426,691Canada Adjusted net general revenues (3). Natural resource revenue...... Hospital insurance expenditure(2) Adjusted net general revenues(3)... revenue (1) Subsidies Natural resource revenue...... Hospital insurance expenditure². agreement Subsidies..... Federal tax rental agreement Fiscal Year ended 31 Mar. 1953 Fiscal Year ended 31 Mar. 1952 Fiscal Year ended 31 Mar. 1951 (thousands)..... Total net general revenue Total general revenue..... Federal tax rental revenue (1) Deduct: Deduct:

COMPARATIVE BURDEN OF PROVINCIAL TAXATION GEOGRAPHIC DISTRIBUTION—Concluded PROVINCE OF NEW BRUNSWICK-Concluded (thousand of dollars)

(includes Yukon) B.C.		46,199 1,281 25,925 23,133	96,538	87,748		186,698	43, 766 1,318 26,299 25,658	97,041	89,657
		32,322 4 2,127 63,695 2	98,144	46,071 8		185,582 18	803 127 000	134,930	50,652 8
Sask. Alta.		121 041 694 173	50,029	40,316 4		97,548 18	,254 29, ,041 2, ,259 103,	904	43,644 5
		036 26, 755 2, 728 6, — 15,	,519 50	1 -0			039 25, 755 2, 919 10,	713 53,	1 11
Man.		26,0	30,8	24,484		55,634	25,0	29,713	25,921
Ont.	14,556	123,327 3,641 24,976	166,500	197,923		370,762	134,448 3,641 22,110	160,199	210,563
Que.		113,885 3,301 25,544	142,730	141,679		299,316	122,779 3,300 25,096	151,175	148,141
N.B.		14,967 1,678 3,225	19,870	26,676		49,218	16,178 1,679 3,445	21,302	27,916
N.S.		18,263 2,057 1,254	21,574	24,924		49,342	19,497 2,057 1,320	22,874	26,468
P.E.I.		3,289 657 12	3,958	3,323		7,661	3,631 657 12	4,300	3,361
NAd.		12,789 7,219 799	20,807	10,824		31,603	11,825 6,369 	18,696	12,907
Canada	14,556	417,198 25,757 154,852 38,306	620,669	603,968		1,333,364	432, 220 24, 944 194, 962 42, 008	694,134	639,230
Pinal Van malad 21 Mm 1050	Deduct: Corporation income taxes applicable to prior years.	Feurin (a) rental agreement revenue (1). Subsidies. Natural resources revenue. Hospital insurance expenditure(2)		Adjusted net general revenues (3).	Fiscal Year ended 31 Mar. 1954	Total general revenue	Deduct: Federal tax rental agreement revenue (1)		Adjusted net general revenues (*).

Notes:

Source—D.B.S. publication—Financial Statistics of Provincial Governments for the year concerned.

(1) Includes calculated amounts for Quebec.

(2) Source—The Public Accounts of the Provinces concerned.

(3) Adjusted net general revenues represent the revenues raised from local sources (excluding revenues from natural resources) and are on an approximately comparable basis. Hospitalization expenditures have been deducted from two provinces, since in the other provinces this expenditure is financed by individuals.

PROVINCE OF NEW BRUNSWICK

SCHEDULE 2-2

COMPARATIVE BURDEN OF MUNICIPAL TAXATION—GEOGRAPHIC DISTRIBUTION

(thousands of dollars)

	Canada	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
Calendar Year 1950 Total revenue	The state of the s	1,485	1,110	17,718	16,246		253,282	42,593	44,324	55,538	64,569
Deduct: Contributions, grants and subsidies— Governments. Government enterprises, etc Debenture debt charges recover-	1 1	357	938	960	2,269		34,613	2,805	1,167 2,330	4,621 2,446	14,849
able		361	49	1,757	3,153		9,787	6,240	4,085	9,281	18,511
Net revenue collected from local sources	555,512(1)	1,124	910	15,961	13,093	150,0001	205,517	36,353	40,239	46,257	46,058
Calendar Year 1951 Total revenue.	758,237	2,091	1,297	20,268	16,633	190,877	297,598	44,911	48,072	65,251	71,239
Deduct: Contributions, grants and subsidies— Governments	73,634 30,060 1,402	464 30 32	58 62	1,020	2,266 407 15	$1,826\\16,152$	39,335 3,221 665	1,409 2,148 318	1,276 2,524 74	9,407 2,679 137	$16,573 \\ 1,953 \\ 161$
Debenture debt charges recoverable	27,371	13	49	591	723	7,332	11,371	1,759	774	2,645	20.801
Net revenue collected from local sources.	132,467	1,552	1,128	17,773	13,222	165, 567	243,006	39,277	43,424	50,383	50,438

PROVINCE OF NEW BRUNSWICK

COMPARATIVE BURDEN OF MUNICIPAL TAXATION—GEOGRAPHIC DISTRIBUTION

(thousands of dollars)

Calendar Year 1952	Canada	Nfld.	P.E.I.	z. Z.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
Total revenue	849,214	2,493	1,606	23,787	19,836	204,040	340,528	48,613	52,875	76,000	79,436
Deduct: Contributions, grants and subsidies— Governments Government enterprises, etc	83,611 32,817 2,069	439 93 3	83.8	1,354 411 4	2,407 551 35	3,010 17,580 354	44,316 4,287 920	1,353 1,866 332	1,584 2,848 88	11,767 2,908 286	$\begin{array}{c} 17,303 \\ 2,210 \\ 47 \end{array}$
Debenture debt charges recoverable	31,288	34	44	951	879	8,241	11,420	2,641	871	2,771	3,436
	149,785	569	185	2,720	3,872	29,185	60,943	6,192	5,391	17,732	22,996
Net revenues collected from local sources.	699, 429	1,924	1,421	21,067	15,964	174,855	279,585	42,421	47,484	58,268	56,440
Calendar Year 1953											
Total revenue.	925,359	2,835	1,730	24,722	22,301	221,132	369,924	50,169	59,343	85,662	87,541
Deduct: Contributions, grants and subsidies— Governments	91,413 34,467	548	101	1;389 316	2,980	2,832 18,418	46,599 $4,153$	1,874 1,672	1,175	14,645 3,792	$\frac{19,270}{2,436}$
	125,880	617	196	1,705	3,452	21,250	50,752	3,546	4,219	18,437	21,706
Net revenue collected from local sources.	799,479	2,218	1,534	23,017	18,849	199,882	319,172	46,623	55,124	67,225	65,835

Notes: Source—D.B.S. publication—Financial Statistics of Municipal Governments. ¹Estimated—as D.B.S. publication for 1950 gave no figures for Quebec.

APPENDIX "F"

Press Communique

The Federal-Provincial Conference met in committee for three days following the open session on October 3rd.

The main subject of discussion was federal-provincial fiscal matters. The Conference studied a number of ideas put forward by both the federal and some of the provincial governments for a new approach to the question of federal-provincial fiscal relations.

The Federal government did not put forward any definite proposal or offer but submitted an illustration in some detail of how the suggestions put forward by the Prime Minister in his opening statement could be developed. This provided for a system of equalization payments to be made unconditionally by the Federal government to those provincial governments whose tax potential in the fields of personal income taxes, corporation taxes and succession duties was below some defined level. Each province would be free to decide whether or not it wished to enter into a tax rental agreement with the Federal government covering the use of these three tax fields for a further number of years. The Federal government made it clear that under any plan no province would be worse off financially in these fields than it would be in the final year of the present tax rental agreements.

These ideas and others put forward were examined in detail. The provinces agreed to make such further observations as they might wish to have considered. In the light of such further observations following the discussions at the Conference, it will be decided whether another meeting should be held before the Federal government puts forward a definite proposal.

A number of suggestions and problems in the field of public investment were discussed. It was agreed that a meeting would be held later this year to consider what steps should be taken to continue work on the Trans-Canada Highway. It was arranged that individual provinces having suggestions to make for other action in the field of public investment would put them before the Federal Ministers concerned and when these have been assembled and studied consideration would be given to the possibility of future conferences to discuss some of these specific suggestions.

By general agreement the Conference established a committee of federal and provincial officials to meet from time to time to exchange information and examine technical problems in the field of federal-provincial fiscal and economic relations. Representation on this committee will be designated by the Prime Minister or Premier of each government respectively and the chairman will be designated by the Prime Minister of Canada. The committee will not take collective action but each of its members will report to his own government on the subjects discussed.

The Conference established a committee of Ministers to consider in more detail the subject of Health Insurance to which preliminary consideration had been given by the Conference itself. This committee will be assisted by officials from each government including representatives of health departments and Treasuries.

During the week of the Conference discussions were held between representatives of the Federal government and of most of the provinces individually,

in regard to the detailed terms to be included in agreements to implement the plan for sharing costs of unemployment assistance that had been the subject of a special conference in June.

The Conference will resume in Committee at a time to be fixed by the Prime Minister after consultation with the Premiers of the Provinces.

Ottawa, October 6th, 1955.

APPENDIX "G"

LIST OF FEDERAL AND PROVINCIAL REPRESENTATIVES AND ADVISERS

Federal Government

Rt. Hon. L. S. St-Laurent, Prime Minister

Hon. Paul Martin, Minister of National Health and Welfare

Hon. Milton F. Gregg, Minister of Labour

Hon. Stuart Garson, Minister of Justice

Hon. R. H. Winters, Minister of Public Works

Hon. Walter Harris, Minister of Finance Advisers

Mr. K. W. Taylor, Deputy Minister of Finance

Mr. R. B. Bryce, Secretary to the Cabinet

Dr. G. F. Davidson, Deputy Minister of Welfare

Dr. G. D. W. Cameron, Deputy Minister of Health Dr. J. G. Taggart, Deputy Minister of Agriculture

Major General H. A. Young, Deputy Minister of Public Works

Mr. A. H. Brown Deputy Minister of Labour

Mr. M. W. Sharp, Associate Deputy Minister of Trade and Commerce

Mr. J. R. Beattie, Deputy Governor, Bank of Canada

Dr. A. K. Eaton, Assistant Deputy Minister of Finance Mr. J. J. Deutsch, Assistant Deputy Minister of Finance

Mr. Paul Pelletier, Assistant Secretary to the Cabinet

Mr. Maurice Lamontagne, Economic Adviser, Privy Council Office

Mr. G. V. Haythorne, Assistant Deputy Minister of Labour

Mr. R. M. Burns, Federal-Provincial Relations

Dr. O. J. Firestone, Economic Adviser, Department of Trade and Commerce

Mr. Joseph E. Howes, Special Assistant—Research Department, Bank of Canada

Ontario

Hon. Leslie M. Frost, Premier and President of the Council

Hon. Dana Porter, Treasurer of Ontario

Hon. William A. Goodfellow, Minister of Municipal Affairs

Hon. Louis P. Cecile, Minister of Public Welfare

Hon. Mackinnon Phillips, Minister of Health

Hon. Fletcher S. Thomas, Minister of Agriculture

Hon. William M. Nickle, Minister of Planning and Development

Hon. William K. Warrender, Minister without Portfolio

Hon. A. Kelso Roberts, Attorney-General of Ontario

Mr. Harvey Cotnam, Provincial Auditor

Mr. W. Malcolm McIntyre, Secretary of the Cabinet

Mr. Clifford R. Magone, Deputy Attorney-General

Mr. Hugh E. Brown, Deputy Provincial Treasurer

Mr. Chester S. Walters, Comptroller of Finances

Mr. George E. Gathercole, Provincial Economist and Assistant Comptroller of Finances

Mr. Philip T. Clark, Comptroller of Revenue

Mr. H. Harold Walker, Comptroller of Accounts

Mr. William A. Orr, Deputy Minister of Municipal Affairs

Mr. J. W. P. Carter, Director, Municipal Administration Branch, Department of Municipal Affairs

Mr. James S. Band, Deputy Minister of Public Welfare

Dr. J. T. Phair, Deputy Minister of Health and Chief Medical Officer of Health of Ontario

Dr. W. G. Brown, Director, Department of Health

Mr. G. S. Tattle, Comptroller, Department of Health

Mr. Clifford D. Graham, Deputy Minister of Agriculture

Mr. G. Frank Perkin, Commissioner of Marketing, Ontario Department of Agriculture

Mr. Wilbur J. Smithson, Economist, Office of the Provincial Economist

Mr. R. M. Simpson, President, Association of Ontario Mayors and Reeves

Advisers

Mr. H. E. Harris

Professor D. C. MacGregor

Professor Edward E. Reilly

Professor Malcolm Taylor

Mr. Eric Hardy

Mr. Seeley Eakins

Mr. David Ogilvie

Mr. Stanley Martin

Mr. D. J. Collins, Executive Officer, Prime Minister's Office

Mrs. Philomene Gregory, Private Secretary to the Provincial Treasurer

Quebec

Hon. Maurice Duplessis, Premier and President of the Executive Council

Hon. J. D. Begin, Minister of Colonization

Hon. Onesime Gagnon, Minister of Finance

Hon. Antonio Barrette, Minister of Labour

Hon. J. H. A. Paquette, Minister of Health Hon. J. M. Paul Sauve, Minister of Social Welfare and of Youth

Hon. Yves Prevost, Minister of Municipal Affairs Hon. J. Bourque, Minister of Lands and Forests

Hon. Antoine Rivard, Solicitor General and Minister of Transport

Hon. Wilfrid Labbe, Minister without Portfolio will represent the Agriculture Department

Advisers

Mr. Georges H. Shink, Q.C., Comptroller of Provincial Revenue

Mr. J. A. Vezina, Provincial Auditor

Mr. Jean-Louis Doucet, Deputy Minister of Municipal Affairs

Mr. Roger Ouellet, Secretary to the Premier Mr. Pierre Lebœuf, Department of Taxation

Nova Scotia

Hon. Henry D. Hicks, Premier, Provincial Secretary and Minister of Education

Hon. Ronald M. Fielding, Provincial Treasurer and Minister of Municipal Affairs

Hon. M. A. Patterson, Attorney General, Minister of Mines and Minister of Labour

Advisers

Hon. J. Smith MacIvor, Speaker of the House of Assembly

Mr. J. A. Y. MacDonald, Deputy Attorney General

Mr. Henry Muggah, Legislative Counsel

Mr. Innis G. MacLeod, Senior Solicitor in the Department of the Attorney General

Mr. Henry Potter, Deputy Provincial Treasurer

Mr. F. R. MacKinnon, Director of Child Welfare and Mother's Allowances

Mr. L. Earl Peverill, Provincial Auditor

Mr. Owen Hartigan, Municipal Representative

Dr. J. S. Robertson, Deputy Minister of Public Health

Mr. L. A. Kitz, Mayor of Halifax

New Brunswick

Hon. Hugh John Flemming, Premier and Minister of Public Works

Hon. W. J. West, Attorney General

Hon. D. D. Patterson, Provincial Secretary-Treasurer

Hon. C. B. Sherwood, Minister of Agriculture

Hon. C. D. Taylor, Minister of Education

Hon. J. F. McInerney, M.D., Minister of Health

Hon. Edgar Fournier, Chairman, N.B. Electric Power Commission

Hon. T. B. Parlee, Minister of Municipal Affairs

Advisers

Mr. R. S. FitzRandolph, Comptroller-General

Mr. W. B. Trites, Deputy Provincial Secretary-Treasurer

Mr. Leonard T. Leeman, Deputy Minister Municipal Affairs

Mr. E. B. MacLatchy, Deputy Attorney General

Mr. Kenneth B. Carson, Secretary to Premier

Professor W. Y. Smith, Economic Adviser to the Government of New Brunswick

Mr. Aurele Young, Professor of Economics, University of St. Joseph

Dr. F. E. MacDiarmid, Chief Superintendent of Education

Dr. J. A. Melanson, Chief Medical Officer

Mr. Murray McKay, Mayor, Town of Dalhousie, N.B.

Mr. Jean Paul Chiasson, Secretary-Treasurer, Municipality of Gloucester, Bathurst, N.B.

Dr. G. E. Maddison, Department of Health

Mr. Harris A. Joyce, Mayor of Moncton

Manitoba

Hon. Douglas L. Campbell, Premier and President of the Council

Hon. R. D. Turner, Provincial Treasurer

Hon. Edmond Prefontaine, Minister of Municipal Affairs

Hon. Robert W. Bend, Minister of Health and Public Welfare

Advisers

Mr. J. Stuart Anderson, Deputy Provincial Treasurer

Dr. M. R. Elliott, Deputy Minister of Health

Mr. C. Newell Rowse, Budget Officer

Mr. James H. Chipperfield, President, Manitoba Urban Association

Miss June T. Shaley, Research Analyst

Mr. Clifford A. McCrae, President, Union of Manitoba Municipalities

British Columbia

Hon. W. A. C. Bennett, Premier and President of the Council, Minister of Finance

Hon. R. W. Bonner, Attorney-General

Advisers

Mr. Einar M. Gunderson, C.A., Economic Adviser to the Government of British Columbia on Federal-Provincial Tax Agreements

Mr. H. Carl Goldenberg, O.B.E., Q.C., Special Counsel

Dean H. G. Angus, B.C.L., M.A., Dean of Graduate Studies University of B.C., Chairman, Public Utilities Commission, B.C. Member of Rowell-Sirois Commission

Mr. R. B. Worley, F.C.I.S., Executive Assistant to the Premier

Mr. J. V. Fisher, Ph.D., Deputy Minister of Finance

Mr. H. Alan MacLean, Q.C., Deputy Attorney-General

Mr. G. F. Amyot, M.D., D.P.H., Deputy Minister of Health Mr. W. F. Veitch, B.Com., M.A., Director of Tax Research

Mr. John H. Daughty, Director of Vital Statistics

Mr. D. E. McToggart, British Columbia Municipalities

Prince Edward Island

Hon. A. W. Matheson, Premier, Attorney General and President of the Executive Council

Hon. Eugene Cullen, Minister of Agriculture

Hon. Keir Clark, Minister of Education

Hon. B. Earle MacDonald, Provincial Secretary-Treasurer

Advisers

Mr. W. E. Massey, Deputy Provincial Treasurer

Mr. William Hughes, Technical Adviser

Mayor J. D. Stewart, Mayor of Charlottetown, and Presiding Officer of the Canadian Federation of Mayors and Municipalities

Saskatchewan

Hon. T. C. Douglas, Premier, President of the Council and Minister of Co-operation and Co-operative Development

Mr. H. S. Lee, Executive Assistant to Premier

Miss Eleanor M. McKinnon, Secretary to Premier

Hon. C. M. Fines, Provincial Treasurer

Hon. T. J. Bentley, Minister of Public Health

Hon. J. H. Sturdy, Minister of Social Welfare and Rehabilitation

Hon. L. F. McIntosh, Minister of Municipal Affairs

Advisers

Mr. T. K. Shoyama, Secretary, Economic Advisory and Planning Board

Mr. A. W. Johnson, Deputy Provincial Treasurer Dr. F. B. Roth, Deputy Minister of Public Health

Mr. J. S. White, Deputy Minister of Social Welfare

Mr. David Levin, Director, Research and Planning Development

Mrs. Ann Rivkin, Research Economist

Mr. J. D. McAskill, Mayor, Saskatchewan Urban Municipalities Association

Mr. S. Duff Noble, President, Saskatchewan Association of Rural Municipalities

Alberta

Hon. E. C. Manning, Premier and Provincial Treasurer, Minister of Mines and Minerals

Hon, W. W. Cross, Minister of Health

Hon. E. W. Hinman, Provincial Treasurer

Advisers

Mr. K. J. Hawkins, Deputy Provincial Treasurer

Mr. C. K. Huckvale, Provincial Auditor

Dr. A. Somerville, Deputy Minister of Health Mr. A. H. Miller, Deputy Minister of Public Welfare

Mr. William Hawrelak, Mayor of Edmonton

Mr. C. P. Hayes, President of the Union of Municipalities

Mr. D. Griffin, Secretary, Association of Chambers of Commerce

Newfoundland

Hon. J. R. Smallwood, Premier and Minister of Economic Development

Hon. S. J. Hefferton, Minister of Municipal Affairs, Supply and Health

Hon. Leslie R. Curtis, Attorney-General

Hon. G. J. Power, Minister of Finance

Hon. F. W. Rowe, Minister of Mines and Resources and of Public Welfare

Adviser

Mr. Walter M. Marshall, Deputy Minister of Finance

Secretariat

Secretary: Mr. Paul Pelletier, Assistant Secretary to the Cabinet Assistant Secretary: Mr. H. J. Hodder, Privy Council Office Administrative Officer: Mr. M. J. Deacey, Privy Council Office

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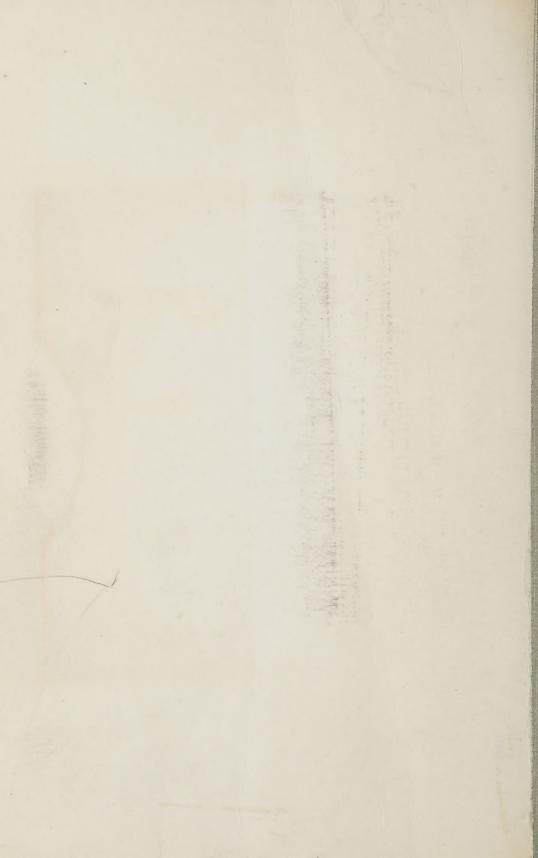
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